

# stelco

# Annual Report 1978

AR26





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## stelco : a bright tomorrow

Stelco's earliest roots go back to an 18th century Montreal nailmaker and blacksmith. However, many of its predecessor companies were also small family-owned partnerships which played a role in the development of Canada into a modern industrial nation during the latter half of the 19th century. The Steel Company of Canada, Limited, Stelco, was created in 1910 when several steel companies in Ontario and Quebec merged their operations so that full advantage could be taken of the strides in 20th century steelmaking technology.

In 1910, the Company accounted for about 10% of the country's steel ingot production. Today, Stelco is Canada's leading steelmaker, producing approximately 35% of the nation's steel.

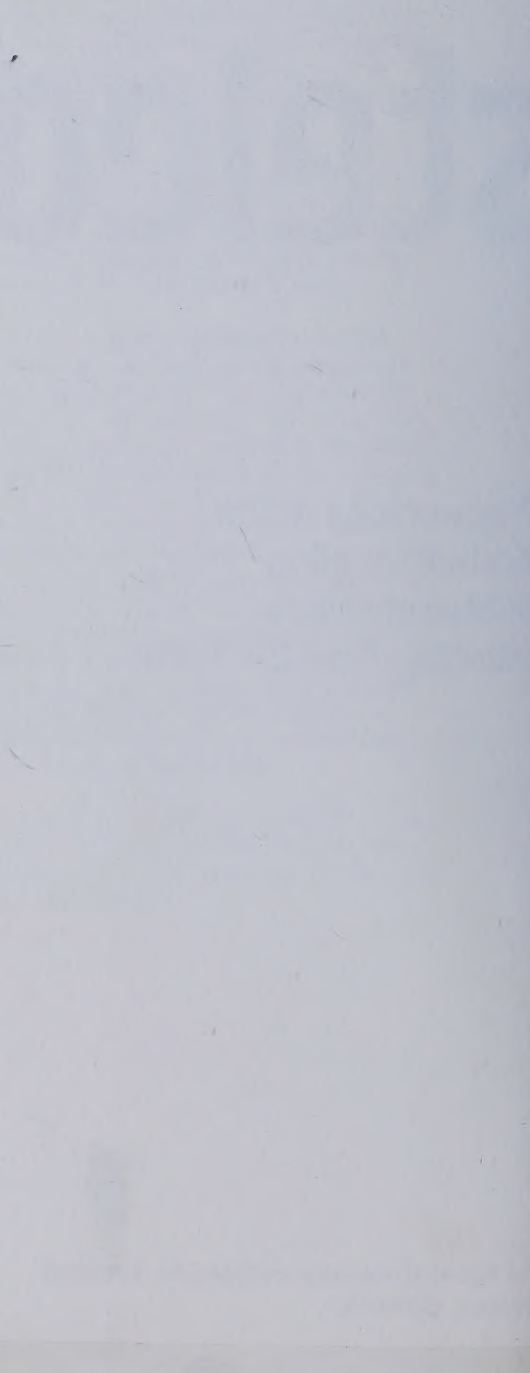
Steel is, and will continue to be, the most useful material of our world, unexcelled in its combination of strength, versatility and economy. The future will create unique and expanding opportunities for steel and Stelco is well equipped to take advantage of them. Its product range is the most extensive in Canada. Its employees are skilled, productive and innovative. Stelco's operations are fully integrated, internationally competitive and recognized as among the most productive in North America. Soon they will be augmented by output from the Lake Erie Development facilities which incorporate the latest in productive and environmental technology.

The pictures in this annual report show some of the market and product areas which hold a bright promise for Stelco in the years ahead.

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Proceedings at the  
Annual Meeting  
of Shareholders  
Monday, April 24, 1978

The Steel Company of Canada, Limited,  
Toronto, Canada.





## THE STEEL COMPANY OF CANADA, LIMITED

*The following is a summary of the business transacted at the Annual Meeting of Shareholders, held at Toronto, Canada on April 24, 1978.*

Mr. J. P. Gordon, Chairman of the Board and Chief Executive Officer, was Chairman of the meeting and Mr. J. W. Younger, Q.C., Vice-President, Secretary and General Counsel of the Company, was Secretary.

The Chairman reported that 75% of the shares outstanding were represented at the meeting either in person or by proxy.

The minutes of the Annual and Special General Meeting of Shareholders held April 25, 1977 were approved.

The Directors' report to the shareholders and the financial statements for the year 1977 were approved and adopted.

The following Directors were elected:

John D. Allan

Alistair M. Campbell

A. Jean de Grandpré, Q.C.

J. Douglas Gibson, O.B.E.

J. Peter Gordon

H. M. Griffith

A. J. MacIntosh, Q.C.

Senator The Hon.

Ernest C. Manning, P.C., C.C.

Frederick C. Mannix

William F. McLean

D. R. McMaster, Q.C.

Lucien G. Rolland

Henry G. Thode, C.C., Ph.D., F.R.S.

Kenneth A. White, C.D.

William H. Young

Thorne Riddell & Co. were appointed auditors for the ensuing year.

After the shareholders' meeting, the Directors met and elected Mr. H. M. Griffith as Chairman of the Executive Committee of the Board and elected and appointed officers as follows:

J. P. Gordon

*Chairman of the Board  
and Chief Executive Officer*

J. D. Allan

*President*

W. C. Chick

*Vice-President, Finance*

A. D. Fisher

*Vice-President, Corporate  
Planning and Research*

A. R. McMurrich

*Vice-President, Marketing*

G. H. G. Layt

*Vice-President, Operations*

A. J. Harris

*Vice-President, Engineering and  
Procurement*

R. E. Heneault

*Vice-President, Administration*



J. W. Younger, Q.C.  
*Vice-President, Secretary  
and General Counsel*  
B. M. Kinnear  
*Treasurer*  
H. J. M. Watson  
*Comptroller — Accounting*  
F. H. Weir  
*Comptroller — Financial  
Planning*  
W. C. Ashcroft  
*Assistant Treasurer*  
G. Binnie  
*Assistant Treasurer*  
W. A. Darby  
*Assistant Comptroller —  
Corporate Accounting*  
L. M. Killaly  
*Assistant Secretary*  
A. G. Northcott  
*Assistant Comptroller —  
Works Accounting*

The Chief Executive Officer  
made the following appointments:

G. W. R. Bowlby  
*Vice-President —  
Market Development*  
K. Coles  
*Vice-President — Manufacturing,  
Finishing & Tubular Operations*  
J. E. Hood  
*Vice-President — Manufacturing,  
Primary Operations*  
A. R. Oliver  
*Vice-President — Procurement*





**ADDRESS BY J. PETER GORDON**  
**Chairman and**  
**Chief Executive Officer**

I began my remarks to last year's Annual Meeting with the observation that, because of the growing interdependence between the world's various economies, events taking place elsewhere were having an increasing impact on our domestic economy. I find myself beginning this report in much the same vein, simply because this trend has, if anything, been accentuated during the past year, and the consequent impact on the Canadian steel scene has, by no means, been insignificant.

Looking first at the global environment, the world steel industry is experiencing the most serious economic slump since the end of World War II. Economic problems in many developed countries and a lack of capital spending have brought about a significant drop in world demand for steel. This, together with the new additions to production facilities, has created considerable excess capacity, especially in Europe and Japan, with the result that international steel prices have tumbled and many steel producers are experiencing huge operating deficits.

For instance, in addition to the

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## Quarterly Report to Shareholders for the period ended June 30, 1978

This message was mailed to shareholders with their dividend cheques of August 1, 1978.

**The Steel Company of Canada, Limited**  
**Toronto, Canada**

losses faced by the Japanese and the British steel industries in 1977, the Spanish steel industry is reported to be facing a substantial deficit this year, and one of its leading producers is on the verge of bankruptcy.

The situation in the United States is little better. One major producer, that was unable to generate the funds necessary to modernize its facilities, has gone out of business, while two others are examining the possibility of a merger as a means of survival. Three other American producers including the two largest, United States Steel and Bethlehem Steel, have closed down older plants that could not cope with the double burden of competition from the deluge of low-priced European and Japanese imports and increasing environmental restrictions. The devastating impact which this has had on jobs can be ascertained from the fact that employment in the industry has fallen from a peak of 512,000 in 1974 to 438,000 in February, 1978.

The Canadian steel industry, by virtue of possessing generally efficient cost-competitive plants that have enabled it to resist excessive penetration of its markets by offshore producers, has managed so far to escape the major upheavals which have taken place



elsewhere. It would, however, be a tragic mistake to assume that Canadian steelmakers have any built-in immunity to an economic slump. The industry has already experienced one bankruptcy, that of Quebec Steel Products and its subsidiary companies last year, and two government-owned producers, Sidbec Dosco and Sydney Steel, are having to rely on huge injections of taxpayers' money in order to offset their chronic operating deficits.

The past year has not been a particularly satisfactory one insofar as Stelco is concerned. Due to continued weakness in the heavy construction industry, overall steel demand did not improve, and the 6% increase in sales revenue that was achieved was attributable mainly to price increases.

Although steel production, at 5.6 million tons, was only marginally lower than the record output achieved in 1976, this level was maintained principally to accumulate sufficient steel inventory to support sales during the scheduled relines of our blast furnaces in late 1978 and early 1979. The level and mix of shipments were virtually unchanged from 1976, and the sluggishness in overall demand resulted in the smallest of our operating blast furnaces being taken out

of operation for much of the year.

The past year has also seen a significant squeeze on Stelco's profit margins. Although net income declined by only \$400,000 over 1976, this came about solely through a reduction in income taxes. Of infinitely greater concern is the fact that our pre-tax income declined by \$10.9 million and that the ratio of net income to net sales, average total investment, and average total shareholders' equity declined to 6.2%, 5.2%, and 9.3% respectively from 6.7%, 6.0%, and 11.0% the year previous.

There are a number of reasons for this decline in profitability, some of which are external and therefore outside of our direct control. For example, continued weakness in key markets, especially construction, had a detrimental effect on operating volume and product mix to the point where we sold substantial tonnages of steel ingots during the year in order to maintain reasonably efficient operating levels at our primary facilities. We also suffered a substantial drop in revenue from our mining operations in the United States that stemmed from a strike at ore mines in Minnesota and Michigan and from illegal walkouts and labour unrest in the coal fields of West Virginia, Kentucky and Pennsylvania which



culminated in the recent national coal strike just concluded in late March.

There was as well, continued escalation in the costs of employment, energy, raw materials, and other supplies and services which, because of current world market conditions, were impossible to recover fully through price adjustments.

As examples of these cost increases, the market price of metallurgical coal has tripled in the past six years while the cost of electricity, oil, and gas has risen by 100%, 200%, and 300% respectively.

I don't think it would be any exaggeration to say that Stelco, and indeed the Canadian steel industry in general, is entering into what is probably the most difficult and challenging period in its history. In a market environment that has been, at one and the same time, stagnant and fiercely competitive, Canadian steelmakers are confronted with the problem of maintaining adequate operating margins and their competitive edge in the face of steadily escalating costs, many of which are quite out of their control. Because of the economic climate the traditional options of increasing volume or adjusting prices have not been available. Therefore, the question of stabilizing costs, over

which we have some measure of control, is no longer a mere option, but rather constitutes an essential prerequisite for economic health.

As a result of a vigorous and on-going programme of improving operational efficiency and other cost-reduction activities, Stelco was able to partially offset increased manufacturing costs in 1977. One area in which we have been particularly active is energy conservation and, as a member of the Ferrous Industry Energy Research Association, we are co-operating in endeavours designed to achieve a 3-1/2% reduction in the amount of energy required to make a ton of steel. In 1977, Stelco's Corporate Energy Task Group co-ordinated the implementation of 145 conservation measures, and a further 130 are scheduled for completion this year.

Another major source of cost concern is the degree to which the declining productivity and labour unrest (or perhaps, more accurately stated, outright anarchy) in the coal fields of the southeastern United States have escalated our coal costs and have disrupted delivery schedules. It is for precisely this reason that we are seeking to reduce our dependence on United States' metallurgical coal.

We are currently obtaining, on an

annual basis, 500,000 tons of coal from Nova Scotia, and we have also acquired a 25% interest in a potential development at Elk River in British Columbia from which we eventually hope to receive about one million tons of coal annually.

In view of the urgent priority which we are giving to cost control at Stelco, I am sure you can readily appreciate the concern with which we, and other major shippers, have reacted to the apparent determination of the Federal Government to double, over a three-year period, tolls on the St. Lawrence Seaway. A significant proportion of the bulk cargo that passes through the Seaway is in the form of raw materials for southern Ontario steelmakers while the balance is classified as general cargo, mainly from offshore. While Stelco and the other major Canadian users of the Seaway have taken the position that they are willing to pay their fair share of meeting the Seaway's operating deficit, we have also stressed that, since in terms of cargo value, both current and proposed tolls discriminate in favour of general cargo, any toll increases should bear most heavily upon the latter.

It is surely the height of irony, particularly in the current market environment, that the Federal



Government should be proposing the imposition of a new toll structure that would have the dual effect of adding appreciably to the costs of the Canadian steelmakers while, at the same time, facilitating the flow of steel imports, in the form of general cargo, to the North American heartland.

As most of you are no doubt aware, 1978 will be a negotiating year for Stelco, and I have no hesitation in repeating here what I said in Hamilton at the end of last year, namely that these negotiations will almost certainly be the most crucial in the Company's history. It is vital that all parties involved recognize the degree to which the settlement that is reached must reflect the urgent and immediate need for cost stabilization, the fierce and unrelenting competitiveness that will characterize world steel markets for the foreseeable future, and the detrimental effect which any erosion of our competitive edge would have on both current and future patterns of employment.

We will be reporting shortly our first quarter earnings, and I am pleased to advise this Annual Meeting that there has been a high and growing level of demand during the first quarter. We anticipate capacity operations through until July 31st, 1978, and are hopeful that the post-

negotiations' decline in demand will be less severe than in the past. The apparent increase in sales in the first quarter is no doubt due in part to pending labour negotiations and, to some extent, to price increases to take effect in the second quarter. However, there appears to be an encouraging underlying strength in demand in most of our major markets with a major factor being the effect of the devalued Canadian dollar on exports and on import displacement. For the year, we anticipate a moderate increase in total shipments of steel over 1977.

The outlook for steel demand beyond 1978 will be contingent upon what happens in certain key sectors of the economy. In the automotive industry, for example, much depends not only on the level of future automobile sales but, also, on how successful Canadian steel-makers are in continuing to develop the new forms of steel which the automobile manufacturers will require in order to meet the increasingly stringent Government-imposed mileage requirements.

A great deal also rests on how successful Canada is in its attempts to redress, its \$1.1 billion deficit with the United States under the Auto Pact. Any favourable initiative by the United States in this area, particularly increased investment

in automotive parts' manufacturing facilities here in Canada, would obviously have beneficial effects on steel demand.

However, there is little question that the key to any significant and lasting pickup in Canadian steel markets, and indeed to our national economy as a whole, lies in the construction area and, particularly, in the future development of our national energy resources.

When one talks of heavy construction, the project that of course immediately comes to mind is the Alaska Highway Pipeline. This is scarcely surprising in view of the sheer size of this particular undertaking, the jobs it will create in steel and many other industries, and the massive injection of confidence that it will provide to a faltering economy. Such being the case, the passage of the enabling legislation by the Government earlier this month is a welcome first step in this project.

The Alaska Highway Pipeline, however, is only one of several major energy-related undertakings that will have to get underway in the near future if Canada is to reduce its dependence on the OPEC cartel; to avoid a gigantic increase in its oil trade deficit; and to avert a major social and economic catastrophe in that critical period



between the mid-1980's, when many of our fossil fuels will begin to run out, and the beginning of the 21st century, which many experts see as the earliest possible date for the practical development and widespread application of renewable resources such as wind, tide, and solar power. These projects must, however, proceed in tandem with a vigorous and wide-ranging programme of national energy conservation, and I think that everyone associated with the Canadian steel industry can take pride in the leadership role which steelmakers have assumed on the industrial side of this endeavour.

There is no question that an enormous national effort will be required in order to develop energy resources such as coal, heavy oil, tar sands, frontier oil and gas, and nuclear generating stations. Of equal importance, however, (and this has been emphasized by recent oil and gas discoveries in Alberta) is the need to provide the transportation infra-structure necessary to bring existing, as well as future, oil and gas supplies to market — both as a means of providing for the requirements of society and also of financing continuing exploration and development. This is why it is essential that planning begin immediately for energy transmission

projects, such as the projected Quebec-Maritime Pipeline, that will be required in the relatively near future, as well as for undertakings a little further down the road such as the Dempster or Maple Leaf Lines and the Polar Gas Project.

The sheer magnitude of all this can be more fully appreciated not only by virtue of its cost which will run into the tens of billions of dollars, but also because these projects will have to be undertaken by a society beset, at one and the same time, by a staggering multiplicity of deeply rooted economic problems and serious constitutional discord. There is little doubt in my mind that the challenge involved in embarking on such endeavours will be exceeded only by that of bringing some semblance of order to our economic and constitutional affairs.

After a two decade flirtation with trendy new economic and social ideologies which have now become dangerously irrelevant, there are some encouraging signs that our society is slowly coming to recognize the chilling realities of the bottom line and of some of the basic and natural laws that govern the very nature of human existence.

The apparent willingness of Government to reduce the percentage of gross national product taken

by public expenditure; to recognize the necessity of negotiating wage settlements patterned after those in the private sector (which are subject to the discipline of market forces); and to recognize the key role that must be played by the private sector in our economic evolution, are all welcome signs of a return to economic sanity.

All of this notwithstanding, however, the stunning escalation of the projected Federal Budget deficit to \$11 billion revealed recently provides a salutary reminder that any verbal commitment toward restraint in public expenditure must be backed up by appropriate action and deeds. It is vital, therefore, that Government undertake without delay a comprehensive review of every aspect of its current expenditures with a view to modifying or eliminating costly programmes that may no longer be relevant to the new priorities of our current environment.

Even more essential is the need not to embark on any new spending initiatives, and this is particularly important at a time when Government is under tremendous pressure to "do something" about the current unemployment situation. We must resist the panic-stricken temptation to squander scarce and precious capital resources on the creation of



one-shot, nonproductive, job-producing stimulants to the detriment of other undertakings that will contribute infinitely more to the long-term economic and social stability of our nation.

As far as our constitutional situation is concerned, I think we would all be guilty of the most tragic oversimplification were we to look upon the latter merely as a desire on the part of a segment of the population of one particular Province to have its own independent, sovereign state. The seeds of alienation, and therefore of potential separatism, are to be found elsewhere within our Confederation (especially in the West) and the fact that these tend to evolve around economic grievances, rather than having a combined economic, cultural and linguistic base, do not make them any less of a threat to national unity.

Under the circumstances, those who seek a solution to our difficulties through a total recasting of the Constitution are, in my view, every bit as out of touch with reality as those who complacently and smugly advocate sticking with the status quo. The political, economic, cultural, and geographic diversity of our nation would clearly seem to indicate that the process of national reconciliation will involve a long and tedious period of patient

negotiation based upon a combination of compromise, give-and-take, and enlightened self-interest, and that whatever accord is finally reached will be based upon significant adjustment of our present Constitution rather than the creation of a new one.

As our nation slowly moves to come to grips with its difficulties, there seems to be an increasing tendency to bemoan our fate, and to attempt to take comfort in the intellectual irrelevancy that our Forefathers never had to face the problems that we do. Might I suggest that such a sentiment constitutes an ignoring of the facts.

Any objective examination and assessment of the situation that confronted the Fathers of Confederation in 1864 will readily confirm the immense difficulties which they faced, and their success in knitting together two diverse cultures and a vast empty land, stretching from the Atlantic to the Pacific and Northwards to the Arctic, surely provides an example to their descendants today.

Instead therefore of retreating into a cocoon of self-pity, let us all recognize the opportunity that almost invariably comes with adversity and work together to build a society worthy of their memory — a society where the harsh voice of

cultural bigotry is drowned by an appreciation of the enriching merit of human diversity; where the tunnel-vision pettiness of the social leveller is replaced by the dynamism and foresight of the economic builder, and where the environmental sterility of restriction and regimentation is converted into an invigorating climate of challenge and opportunity.

I suggest, ladies and gentlemen, that it is only within this type of environment that the dreams and aspirations of today can become the realities and achievements of tomorrow.





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*File*  
Quarterly Report  
to Shareholders for the  
period ended  
June 30, 1978

This message was mailed to shareholders with  
their dividend cheques of August 1, 1978.

The Steel Company of Canada, Limited  
Toronto, Canada

# Quarterly Report

To the Shareholders of The Steel Company of Canada, Limited:

Consolidated results for the second quarter and first half of 1978 in comparison with the corresponding periods in 1977 and a summary of changes in financial position for the first six months of these years are given below:

(In Thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1978	1977	1978	1977
		Restated*		Restated*
Raw steel produced - net tons	1,453	1,396	2,834	2,899
Shipments - net tons	1,242	1,072	2,340	2,050
Sales	\$488,766	\$375,390	<u>\$900,072</u>	<u>\$715,823</u>
Administrative and selling expense	21,822	20,290	43,028	39,161
Depreciation	16,080	14,800	30,730	28,200
Interest on long-term debt	12,995	12,519	25,749	24,922
Income before income taxes	45,931	30,150	76,402	53,320
Income taxes	8,544	581	13,937	1,676
Net income	<u>37,387</u>	<u>29,569</u>	<u>62,465</u>	<u>51,644</u>
Net income per share (after preferred dividends)	<u>\$1.40</u>	<u>\$1.13</u>	<u>\$2.31</u>	<u>\$2.02</u>

## CHANGES IN FINANCIAL POSITION

(In Thousands)	Six Months Ended June 30	
	1978	1977
		Restated*
<b>Source of Working Capital</b>		
Current operations	\$106,872	\$ 77,463
Net proceeds from issue of shares	193	199,151
	<u>107,065</u>	<u>276,614</u>
<b>Disposition of Working Capital</b>		
Expenditures for fixed assets	45,305	42,566
Long-term intercorporate investments	4,257	2,408
Reduction of long-term debt	1,167	734
Dividends	<u>25,182</u>	<u>22,505</u>
	<u>75,911</u>	<u>68,213</u>
<b>Increase in Working Capital</b>	<u>\$31,154</u>	<u>\$208,401</u>

Net income per share is calculated on the weighted average number of convertible shares outstanding in each period. Interim statements are unaudited and include estimates which are subject to year-end adjustments.

\* 1977 results have been restated to reflect changes in corporate income tax proposed in the March 1977 Federal budget and not enacted until December 1977.



The Company continued to experience good demand for its products throughout the quarter. Tonnages shipped and sales revenues were a record. Reflecting the high level of operations, net income approached a more satisfactory level.

Steelmaking facilities were operated at close to capacity to meet the high demand and it was necessary to reactivate the Company's smallest blast furnace which had been shut down since early in 1977. A substantial part of the additional inventory accumulated during 1977 was also liquidated.

Operations are expected to resume shortly at the Scully Mine, which has been shut down since April. This resulted from a strike at another major iron ore producer's mine, which affected railway service required to transport concentrate from the Scully Mine to the pelletizing plant in Pointe Noire. Shutdown of these facilities has not had any impact on iron and steel production.

Discussions aimed at negotiating collective agreements with the United Steelworkers of America, who represent employees at Hilton Works and the majority of the Company's Finishing Works, were still in progress at the time of printing. These agreements expire on July 31, 1978, and every effort will be made to arrive at responsible settlements in advance of the expiry date. The uncertainty as to the outcome of these negotiations has undoubtedly contributed to the significant increase in shipments and the resultant improvement in earnings for the first six months.

During the quarter \$52 million of capital appropriations were approved by your Directors. Included therein is a \$30 million revamping of the 56" Hot Strip Mill at Hilton Works to increase capacity.

There would appear to be a sustainable strength in our markets for the balance of the year, particularly if the automotive sector continues buoyant. A number of steel consuming industries are experiencing more activity than was evident earlier. The domestic industry's position — and that of its customers — is being assisted by the lower value of the Canadian dollar.

TORONTO, CANADA.  
July 31, 1978.

J. P. GORDON, Chairman of the Board and  
Chief Executive Officer.  
J. D. ALLAN, President.

## Dividend August 1, 1978

The enclosed cheque is in payment of a dividend of 40¢ per share declared for the quarter ended June 30, 1978 payable to Class A and Class B Convertible Shareholders of record at the close of business July 4, 1978.

The dividend on Class B shares is paid out of 1971 capital surplus on hand as defined in the Income Tax Act of Canada.

**NOTICE TO NON-RESIDENT SHAREHOLDERS:** The Income Tax Act of Canada requires that a tax be deducted at the source from dividends paid to non-resident holders of Class A Shares. The rate of tax depends on the shareholder's country of residence. This tax has been deducted from the amount of such dividends and remitted to the Canadian Government.

**CHANGE IN ADDRESS:** Please notify the Montreal Trust Company, 15 King Street West, Toronto, Ontario, M5H 1B4, of any change in address, using the enclosed change of address card.

Banks or Trust Companies receiving dividends on behalf of shareholders are requested to send this folder on to them. Additional copies may be obtained from the Secretary of the Company.



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FLASHES



## TALKING POINT

# Steel employment outlook

**Mr. Heneault, as Chairman of the Committee on Labour Relations of the International Iron and Steel Institute, what is the current outlook for employment in the world steel industry?**

Well, there is no question about the considerable concern that is felt with respect to future employment prospects, and this came through very forcibly at the IISI Labour Relations Committee meeting held last January in Brussels. The world steel industry is currently going through the deepest and most prolonged period of depressed demand it has experienced since the end of the Second World War. The principal concern expressed at the meeting, which was attended by representatives of most of the free world's major steel producers, was whether or not the industry would be able to maintain current employment levels in view of the worldwide softness in demand for steel products.

The problem is particularly acute in European Common Market countries, such as West Germany and the United Kingdom, and has also, more recently, made itself felt in Japan because of the common dependence which these nations have on export markets. The situation has been made all the more serious by the huge operating deficits being incurred by many leading producers. The government-owned British Steel Corporation, for example, reported a loss of \$400 million in the first six months of its fiscal year and this is projected to escalate to \$1 billion at current exchange rates. A study of BSC operations undertaken a few years ago determined that they were over-staffed by approximately 40,000 employees. No action has as yet been taken simply because Britain's Labour government has apparently decided that it would be politically suicidal to phase out the operations involved, even though they are no longer economically viable and the cost of rehabilitating them would be prohibitive. Social considerations notwithstanding, no enterprise, be it publicly or privately owned, can continue to survive under such circumstances.

**We have heard recently about layoffs in the United States steel industry. How extensive have these been?**

Employment in the United States steel industry has fallen from a peak of 512,000 in 1974 to about 453,000 today, which means that nearly 60,000 American steelworkers have, due to a variety of factors, lost their jobs. There is no question that the impact of imports has been a crucial contributing factor. In addition, the American steel industry has had to spend immense sums of money in rehabilitating older facilities and also faces the heavy capital and operating costs associated with increasingly restrictive environmental legislation.

You really need look no further south than Lackawanna, New York, to see the effect of all this. In that community, Bethlehem Steel has been forced to close down some of its older facilities thereby throwing 4,000 steelworkers out of work. Elsewhere in the United States, a number of smaller steel producers have gone bankrupt, while others are reassessing their financial situations with a view toward overcoming their cost burdens through a process of consolidation or merger.

**ON OUR COVER** — A special camera lens turns one glowing ingot into six, in this photograph taken recently at the soaking pits in No. 3 Bloom and Billet Mill, at Hilton Works.



R.E. HENEULT  
Vice-President, Administration

**In comparison, the job picture in the Canadian steel industry appears somewhat more stable. Is this true and if so what are the reasons?**

We in the Canadian steel industry have been particularly fortunate largely because our capacity and steel demand are in relative balance. This certainly does not mean that we are in any way immune to the ills currently plaguing steelmakers elsewhere in the world. Unless we can keep our production costs in line and are prepared to work consistently at improving our productive facilities and work practices we could well find ourselves in a similar situation. It is no longer sufficient for Stelco to be merely competitive in the domestic marketplace. We must be competitive in the world marketplace as well.

A perfect example of this need is provided by the projected Alaska Highway Pipeline. While it would seem logical to assume that the pipe required for the Canadian section would be produced in Canada, it won't be unless potential suppliers such as ourselves are competitive. This simply means that the prices we quote will have to be as low, if not lower, than those submitted by steelmakers elsewhere. We cannot expect this contract, or any other one for that matter, to be handed to us on a silver platter.

**What other factors could have a bearing on employment in the Canadian steel industry?**

The current Canadian investment climate is a major one. In recent years, there has been a marked reluctance on the part of many business enterprises to invest in new facilities or to expand existing ones. Since construction is a major consumer of steel products this has had a direct detrimental effect on our industry. Until a general sense of confidence is restored — and it is going to take a lot more than the pipeline to bring this about — we are in for some difficult times ahead.

Another factor that affects Stelco in particular are the steps which our customers take to ensure their steel supplies during

(Continued on Page 3)



(Continued from Page 2)

a negotiating year. This invariably results in an artificially high level of operations in the first half of the year and a correspondingly reduced cycle of operations in the second half, irrespective of whether an agreement is negotiated or not. 1978 is a negotiating year and there is already evidence of "hedge-buying" on the part of customers. In addition, some customers go elsewhere for their supplies and their departure is often permanent. Recovering our market position is a difficult task at the best of times and it is even more so in the type of economic environment in which we find ourselves today.

#### **What are the long-range implications of all this for the employee in the Canadian steel industry?**

Canadians in all walks of life have come to assume that an ever increasing standard of living is something that comes auto-

matically rather than having to be earned. It's obvious from the many economic problems facing us, inflation and unemployment to mention only two, that we have to get back to a more stable economic base and a more realistic level of expectations. Canada already enjoys one of the world's highest standards of living and Canadian steelworkers are amongst the highest paid in the world. It seems to me that we are going to have to pay more attention to protecting what we have rather than pre-occupying ourselves with what more we can get.

There doesn't seem to be much enthusiasm these days for traditional values such as "a fair day's work for a fair day's pay", but it is nevertheless very important that all of us take a long hard look at what is fair, just and reasonable under our present economic circumstances. Canada, as a nation, and steel, as an industry, cannot survive, much less prosper, unless we get back to traditional values that have long stood the test of time.

## **FAMILY CONCERT**

# **Famous People Players perform May 7**

The stage is black. A pair of bongo drums dance from the wings, followed by a bouncing candelabra. Then, yes, there's Liberace — and the set is suddenly alive with music and action.

Later in the performance, Barbara Streisand floats onto the stage, riding a harp, singing one of her many hits.

Tony Orlando, dressed as a convict, appears next, singing "Tie a Yellow Ribbon Round the Old Oak Tree", midst a swirl of ribbons.

It's an all-star cast, but the performers aren't real. They are full-size puppets in a black-light extravaganza that even the tough Las Vegas critics termed "remarkable" and "inspired and gifted".

The Famous People Players are a treat to behold for both children and adults, much more entertaining than the traditional puppet shows. Their professional act totally masks a handicap that many people would feel is an impossible obstacle — most of the 11 young performers are mentally retarded.

This Toronto-based group will appear with the Hamilton Philharmonic Orchestra, under Conductor and Music Director Boris Brott, at the Stelco Family Concert at Hamilton Place, on Sunday, May 7. Show time is 7.30 p.m.

The narrator will be John Forsythe, the veteran actor whose voice is "Charlie" on the "Charlie's Angels" TV show. Earlier, he starred in "Bachelor Father."

Ticket prices are \$4.50, \$3.50 and \$2.50, with \$1 off for children 12 years of age and under. Tickets are available at the Hamilton Place box office or from the Public Affairs Department (Extension 2795).

Ontario Lieutenant-Governor Pauline McGibbon is planning to attend the performance.

What is "black-light theatre"? The technique is rooted in a classical Japanese style that was refined into a modern form in Czechoslovakia — the players dress in black robes on a darkened stage, holding fluorescent props and puppets.

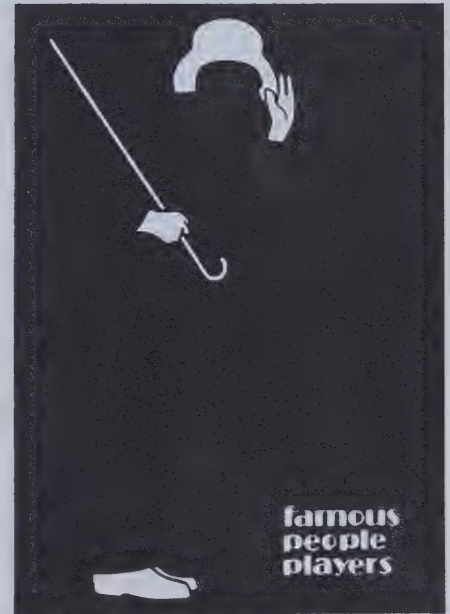
Under the ultraviolet light, invisible to the human eye, the life-size puppets and props glow magically in the blackness, while the invisible players whirl and twirl them, shimmy and shake them about in choreographed patterns.

Famous People Players is precisely what its name implies — a puppet show whose characters are replicas of well-known entertainers, politicians, even animals.

The founder and director of Famous People Players is Diane Dupuy, a native of Hamilton, who researched the black-light technique when she was a volunteer worker with the mentally retarded. She founded the company in April, 1974, with federal Local Initiatives and Opportunities for Youth grants. The performers now range in age from 21 to 25.

The turning point for the troupe came in April, 1975, when Liberace himself, during an O'Keefe Centre engagement, was persuaded to see the act at a convention for the Ontario Association for the Mentally Retarded. He was so impressed that he offered them a place in his show at the Las Vegas Hilton later that year.

Before the opening, the players were deliberately hidden from the Las Vegas press and public so no one knew of the mental handicaps of some of the players. They received rave reviews.



They have since played at Las Vegas twice more with Liberace, have appeared at the Canadian National Exhibition and at the St. Lawrence Centre and O'Keefe Centre in Toronto, as well as at Hamilton Place last May.

The fact these young people have overcome their handicaps makes the performance even more remarkable, but they don't want to be judged on that basis.

In an interview in the Toronto Star, Diane Dupuy said: "We don't want any sympathy from anyone. We don't want a standing ovation because we're a group of handicapped people. We don't want to be exploited. We want to be treated as professionals and I think the Famous People Players deserve that respect."



## On the job, it's the 'bible'

"How did Joe get hurt?" someone asked.

"He caught his hand in the machine," came the reply.

"How could he do that?"

"I don't know — I guess he wasn't paying attention," was the answer, with a shrug.

One of the frustrations of accident prevention is that injuries usually aren't caused by unsafe equipment — that can be fixed — or by unsafe working procedures — those can be changed.

The fact is that, as was the case with our fictional "Joe", many industrial accidents occur when someone isn't paying proper attention.

So how do you get an employee to concentrate fully on a routine job he does many times a week, especially if that job includes potential hazards? One of the methods is through a "Job Safety Analysis".

The Job Safety Analysis — usually shortened to "J.S.A." — is a detailed written review of every important operation the employee does.

A Job Safety Analysis committee in action at Swansea Works: (left to right) Ken Bouchard (standing), chairman; Ivan Purdy, Foreman, Cold Nut Formers; John Laphen, Group Leader, C.N.F.; Eric Mets, C.N.F. Operator; Heinz Hardt, H.N.F. Operator.



Basically, the J.S.A. is intended to: 1) identify the main steps of the job, 2) spot the major hazards in each step, and 3) spell out what must be done to reduce or avoid these hazards.

Although most J.S.A. reports tend to follow the same general format, the written material can be as specific and

individual as required by the particular job and its potential hazards. (See box on this page for a typical section of a J.S.A.)

The preparation of the report itself is only a part of the safety program. The employee must be involved in putting together the material and the J.S.A. must be used in the training of new employees and in periodic reviews with older employees.

The intensive review of job procedures for safety purposes may also have side benefits for a plant. Usually the safe way to do a job is also the best way. Work revisions based upon the Job Safety Analysis may uncover needless job steps that can be eliminated.

In some operations, the J.S.A. report is so thorough and so universally accepted by all employees that it becomes the "bible" for all work routines.

There is nothing new about the J.S.A. concept — it was adopted more than 20 years ago at Canada Works and is regularly updated to conform with changing equipment and work procedures.

The latest Stelco plant to launch into the J.S.A. program is Swansea Works, where initial reaction to the study has been enthusiastic.

The man heading up the program is Ken Bouchard, who is Supervisor of the Metallurgical Lab at Swansea Works.

"It's an enormous project, but the spirit of co-operation so far has been tremendous," he said. "I would estimate we will have covered about 70 per cent of the jobs in the next three years."

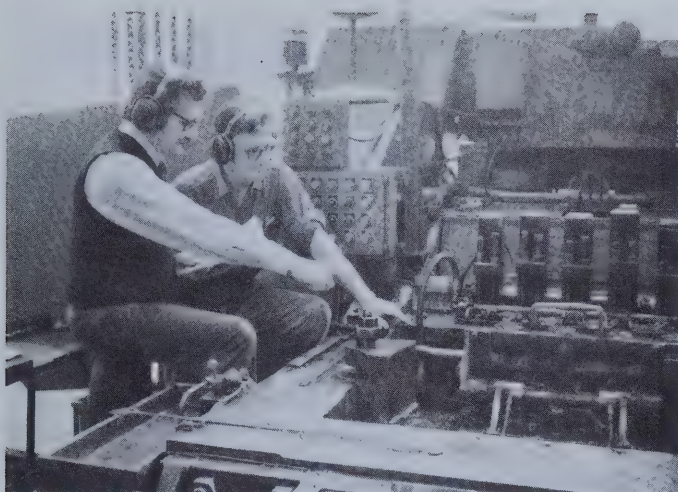
(Continued on Page 5)

### A look at an actual J.S.A. report

The following is a small section of the Job Safety Analysis prepared for Cold Nut Former Operators at Swansea Works:

JOB STEP	HAZARD	PRECAUTION
Feeding rod or wire into machine.	1. Unexpected break in rod when pulling end to straighten.	1. Check rod visually for breaks before pulling. Assume proper pulling position and always be prepared for sudden release from hidden breaks.
	2. Sharp slivers or snags on rod.	2. Check rod visually for sharp hazards before grasping to pull.
	3. Forcing hand shears on cutting rod.	3. Do not use hand shears to cut <i>large</i> rod; avoid hazards and avert strain. Use guillotine.
	4. Flying rod ends.	4. Anticipate rod ends flying away from shears or guillotine. Stand clear and watch for others. Hold scrap end when possible.
	5. Rod ends on floor.	5. <i>Immediately</i> discard rod ends into scrap container. Do not leave on floor.
	6. Sharp rod end on starting rod into machine.	6. Exercise care on handling to avert cuts and abrasions.
	7. Rod seizure in feed tube.	7. <i>Never</i> use overhead crane to pull seized rod free. Loosen power rolls and free manually.





At a 1" Cold Nut Former machine at Swansea Works, Ivan Purdy (left), department Foreman, reviews the Job Safety Analysis procedures with Art Miller, C.N.F. Operator.

## It's the bible

(Continued from Page 4)

The impetus for the J.S.A. program came after Swansea Works undertook a survey of "potential hazards" last year. More than 120 replies were received from employees, many of them worthwhile proposals.

In developing a plan of action, it was decided to use the Cold Nut Former Department as the pilot project. An outline of the basic J.S.A. was prepared with the department foreman and a committee was set up with three employees from the department.

The rough J.S.A. was discussed at the meeting and the employees were given the material for a week to study more extensively. Further meetings were then held to refine the details.

"When the final J.S.A. report is prepared for a department, every employee affected will discuss it in a personal session with his immediate supervisor," said Ken Bouchard. "He will then be given his own copy to keep."

It was soon apparent the preparation of a Job Safety Analysis, in order to be comprehensive and worthwhile, had to cover not only the employee's basic job, but associated work activities as well. A Cold Nut Former Operator's Job Safety Analysis also includes a page on safe lifting and two pages on safe use of grinding equipment. The average J.S.A. will be about 12 pages in length.

In addition to regular reviews at least once a year with each employee, an accident or "near miss" report will also result in a check of the J.S.A. procedures. New equipment or revised procedures would mean updating of the J.S.A.

The Job Safety Analysis is just another aspect of an already active safety program at Swansea Works. Visitors and employees are aware of the efforts as

soon as they enter the plant door on the west side of Windermere Road.

Outside, signs read "Safety starts here" and in the entrance area, a giant cut-out of a bolt and nut indicates the number of hours worked since the last lost-time accident. The program includes a safety quiz, a special parking spot for an employee who contributes most to the safety program, a safety videotape, monthly safety housekeeping tours, among others.

There have already been some results. Since 1974, the number of lost-time accidents have dropped 20 per cent and the severity of those accidents has fallen 48 per cent.

"As far as we are concerned, the J.S.A. program has top priority in our operations," said Bernie Racinsky, Superintendent. "It will be a highlight of our safety program and I know there is a lot of enthusiasm from people in the plant."

## Earnings in 1977 'not satisfactory'

Consolidated results for 1977 are summarized below along with the corresponding date for 1976.

(In Thousands)	1977	1976
Raw steel produced - net tons	5,640	5,724
Shipments - net tons	3,995	4,028
Sales	\$1,444,057	\$1,359,755
Depreciation	55,126	54,868
Interest on long-term debt	51,415	46,786
Income before income taxes	83,460	94,340
Income taxes	(6,745)	3,735
Net income	90,205	90,605
Net income per share	\$3.36*	\$3.67

\*after preferred dividends

Net income per share is calculated on the weighted average number of convertible shares outstanding in each year. (1977 - 24,702,784; 1976 - 24,700,450)

1977 was not a satisfactory year for Stelco. Overall demand for steel remained weak during the year and net income was slightly below the 1976 level. Earnings per convertible share declined to \$3.36 from \$3.67 in 1976 after deducting prescribed dividends of \$7.3 million on preferred shares issued in May 1977.

Substantial tonnages of semi-finished steel were sold in 1977 enabling primary production facilities to operate at efficient levels. As a result, the volume and mix of sales was virtually unchanged from 1976 and the increase in sales revenue was due almost entirely to price increases introduced during the year.

Market conditions precluded the full recovery of cost increases and as a result operating margins suffered. Labour disputes in the U.S. coal and iron ore mining industries had an adverse effect on the costs of the Company's basic raw materials. The net effect of the decline in the value of the Canadian dollar was also unfavourable.

Although these factors resulted in a

reduction in pre-tax income, this was partially offset by a recovery of income taxes in 1977. The change in the tax situation compared to 1976 is mainly due to the new 3% inventory allowance provided in the March 31, 1977 Federal Budget and increased Canadian mining incentives due to a higher proportion of Canadian ore consumed, partially offset by a decline in the investment tax credit.

Capital expenditures on manufacturing plant and mining properties was \$141.4 million compared with \$166.9 million in 1976. Spending on the Lake Erie Development project was \$115.0 million.

The outlook for 1978 is difficult to predict. Shipments during the first half of the year should be good except for the heavy construction and pipeline industries where demand remains low. The outlook for the second half is less certain. Labour contracts at most plants will be under negotiation during the year and uncertainty arising from these negotiations tends to distort the normal order pattern.



# SUGGESTIONS



Maybe there's another good suggestion hatching, as Ed Porter (left) discusses an idea with Bob Smith, who jots it down on paper.

## The 'good idea' team

Teamwork.

It worked for Wayne and Shuster, Batman and Robin, Howe and Lindsay and Abel, Rogers and Hammerstein.

And teamwork can pay off in industry, too.

At Hilton Works, when it comes to good ideas, the team to watch is Bob Smith and Ed Porter.

Many employees mail in joint submissions to the Suggestion Plan, but none have had the consistency or success of this pair of millwrights in the Utilities Department.

The two men have worked together for about six years and during that time, they have jointly submitted 20 suggestions. Ten of their ideas were accepted as worthwhile, resulting in total payments to each employee of \$7,315.

The best year for the Smith-Porter combo was 1976, when two joint suggestions were both ruled to be eligible for the maximum Suggestion Plan payment of \$5,000.

Both suggestions dealt with changes in equipment at the Hydrochloric Acid Regeneration Plant, where they were working at that time. They are currently working at the Central Boiler Station.

"I think the main advantage of working together on Suggestions is that we pick holes in each other's ideas," said Ed. "If one of us comes up with an idea,

we sit down at a coffee break and really discuss all the pros and cons."

Sometimes, a little discussion can also work the other way — adding improvements to an already-excellent idea.

"Most of our Suggestions come from things we're working on at the time," said Bob. "If something keeps breaking down or isn't working properly, we try to find out what is the matter and what could be changed to improve it."

When they're certain they have a worthwhile recommendation, they take a Suggestion Plan form and write the proposal out in rough draft. Then they make improvements on a second, final form.

"You may have an idea that really sounds good, until you talk it over," said Bob. "The next thing you know, the whole idea is shot full of holes."

Ed Porter has also collected payments from two other accepted awards, bringing his total to \$7,445.

Bob Smith's overall payments have totalled \$10,285. He submitted 14 joint suggestions with another employee, Horst Vosseler, with nine of these being accepted. Bob's half was \$2,697.50. He had three accepted Suggestions with three other employees for the remaining \$272.50.

The extra money comes in handy for recreational equipment, both men said. Bob, a 20-year employee, purchased a

16-foot powerboat with his Suggestion Plan payments, while Ed, with 18 years' service, bought a camper-trailer and an outboard motor.

The Hilton Works Suggestion Plan had an excellent start in 1978, with 233 suggestions being submitted. Payments approved during January totalled \$12,285.

The following are some of the top payments presented to employees recently:

**Blast Furnace** — Carl Boswell, \$2,105;

**Steelmaking** — Charles Troisi, \$180;

**Primary Mills** — John Cartwright, \$605; Leonard Fazari, \$100; M. Vacca, \$100;

**Rod & Bar** — Dave Glover, \$315; T. R. Haylock Jr., \$1,800; Gordon Johnson, \$290;

**Plate & Strip** — A. Aldrian, \$130; I. DeGroot, \$1,640;

**Cold Mill** — Alfred Blythe, \$100; Barry Dunbar, \$2,175; Brian Everets, \$300; E. Lofthouse, \$195; Colin Reed, \$100; C. Saunders, \$1,170; Leonard Wade, \$100 and \$100; John Waldron, \$3,295;

**Mechanical** — T. Gordon, \$3,465; A. B. Hutton, \$550; Len Owen, \$115;

**Electrical** — Dan Cavers, \$100; Lawrence Coffey, \$200; Don Cook, \$550; D. R. Craig, \$100; D. M. Dawson, \$310; John Dell, \$100; Darryl Ezeard, \$100; Paul Grant, \$160; David Guenette, \$100; D. Harvey, \$102.50; Henry Heinen, \$550; N. D. Lunt, \$105; L. MacLaren, \$100; Paul Manary, \$280; T. Mayhew, \$195; G. Shaw, \$435; J. Smithers, \$102.50;

**Utilities** — D. Hogan, \$100.

## stelco FLASHES

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# PEOPLE



In the midst of the kindergarten class at the Lithuanian heritage language school, principal Charles Mileris looks at one of the texts available for youngsters in language studies.

## *Saturday schoolmaster*

Saturdays are holidays for most students, but for 80 Hamilton area boys and girls, it's back to the classroom.

For 3½ hours every Saturday morning during the school year, they attend classes with the Lithuanian heritage language school.

And Charles Mileris, a Stelco employee, is also there. He's the principal.

The Lithuanian community in Hamilton started classes in 1949 for a small group of youngsters to study their native language and culture. Interest has grown steadily and provincial grants are now available to cover a large portion of the cost.

The students attending the Bishop Valancius Lithuanian Saturday School, held at St. Joseph's School at Locke and Herkimer Streets, study grammar,

history, geography, social studies and such cultural activities as folk dance, songs, poetry and drama.

"The school was brought into being when parents discovered that their children were growing up with no understanding of their native language and heritage," said Mr. Mileris.

"In the early years, there were just three teachers. I don't think there was any idea it would mushroom as it has. I know the Lithuanian community is proud of what has been achieved."

There are 10 grades in the school, starting with a kindergarten class. The curriculum is established by the national executive of Lithuanian Canadians and many school texts come from the United States, particularly Chicago, where there are larger Lithuanian groups.

There are also Lithuanian heritage language schools in Toronto, London, Kitchener, Delhi, Sudbury and Montreal.

Mr. Mileris was appointed principal of the school last year, after being a teacher for 11 years.

"It is a great responsibility and I want to be worthy of the trust the Lithuanian community has shown in me," he said. "There is a tremendous amount of paper work in the job, particularly now that we are getting grants through the Separate School Board."

The Lithuanian school is just one of 11 schools in Hamilton that qualify for grants under the Ontario Government's Heritage Languages Program. These grants cover the cost of 2½ hours of instruction and parents must pay the remaining costs. About 2,500 students are attending these schools in Estonian, Polish, Italian, Slovenian, Ukrainian, Dutch, Armenian, Chinese and Spanish. Some have evening classes.

Charles Mileris was born in Kratinga, Lithuania, and taught school in that city for about three years, fleeing from the Russians with his family in the fall of 1944. They stayed at an international refugee camp in West Germany until 1948, when he heard of the chance of working on a hydro project in Thessalon, in Northern Ontario.

He left his wife and relatives behind for the opportunity to move to a new country. A year later, he came to Hamilton and started work at Hilton Works, with his family soon joining him. He is now Chemical Lab Analyst Gang Leader.

He has remained active with the local Lithuanian community, being President of the organization in Hamilton in 1970 and 1971.

Charles and his wife, Stella, have two daughters, Ramona, who teaches speech therapy in Charlotte, North Carolina, and Dale, studying Pharmacy at the University of Toronto. Both, he says proudly, graduated from the Lithuanian school.

"This is a big country, Canada, and Lithuanians are proud of their role in its future," he said. "We don't feel any less Canadian because we are studying our native language and culture. This is a country in which all nationalities can be proud of their heritage."



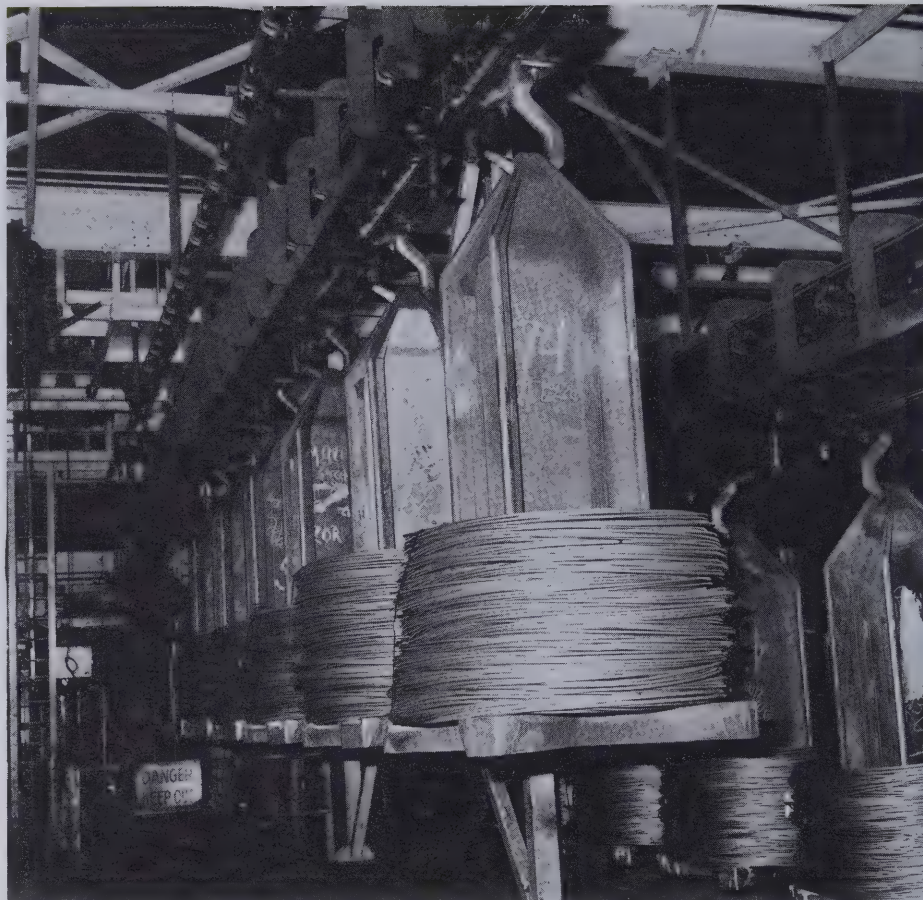
## Better profits, better jobs

Improved productivity benefits everyone. It means higher profits after taxes for a company, greater earnings per share for the stockholder and more and better jobs for employees. If productivity slips, costs increase and profits go down, threatening the company and its jobs.

In any industry, increased productivity is the result of ingenuity, initiative, faith and hard work. It also means money — capital expenditures running into the millions of dollars for new equipment and tools.

Stelco's continuing pursuit of greater productivity has kept the Company apace or ahead of the world's steelmakers. How has it been done?

A recent article in *Canada Machinery and Metalworking* magazine highlighted some of Stelco's efforts. In this issue of *Flashes*, we reprint the last in a three-part series featuring excerpts from that article.



Equipment added to No. 2 Rod Mill included this power and free conveyor. The system was installed in April, 1975, to relieve a bottleneck at the exit end of the mill.

## Boost rod mill capacity

### *Last of a three-part series*

When Stelco brought its No. 2 Rod Mill on line in late 1966, it was rated at an excellent capacity of 80 tons of rod an hour — rod destined to become tomorrow's wire, cable, springs, and fasteners.

The first of a new generation of more than 60 ultramodern mills employing the Stelmor rod cooling process, No. 2 Rod Mill has been a case study in increased productivity.

In 1971, according to Rod and Bar Mill superintendent Ralph Weaymouth, "we asked ourselves how we could still improve our output."

Several alterations and additions to the mill were effected. Together with an earlier gearing change in the finishing stands, Stelco adopted a new, automated coil handling system.

As in most mills up to that time, No. 2 Rod employed manual handling and

banding of the finished product. To relieve the bottleneck at the exit end, an automatic power and free conveyor system, compactor, and strapping machines were introduced, in April 1975.

As part of the same multi-million-dollar project, Stelco added 60 feet to each of the four Stelmor lines. The Stelmor line, which was developed by Stelco with co-operation of the Morgan Construction Company, is a conveyor system upon which the finished rod is air-cooled. The addition to each of No. 2 Rod Mill's Stelmor lines provided two more cooling sections to each line to assist in improving the internal structure of the steel.

In order to ensure that the finished rod is properly guided into the laying cones which loop it onto the Stelmor, yet another revision has been made. The chain system which formerly guided the rod downward, holding it against the

wheel guide, has been replaced by a series of tungsten carbide wheels which have resulted in smoother operation at higher rolling speeds.

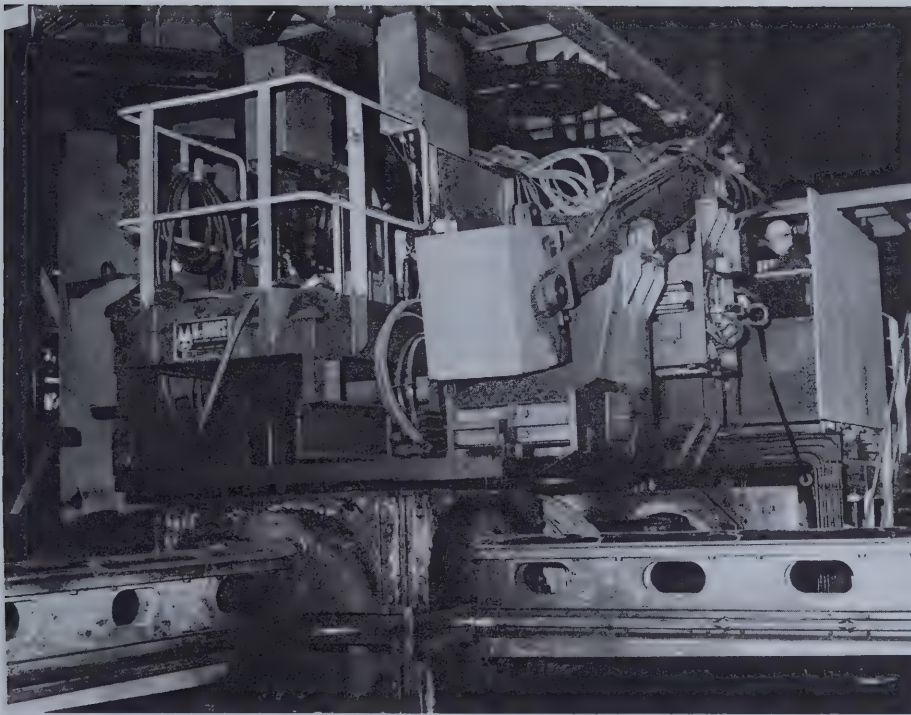
As a consequence of these major changes, the mill has increased rod production from 80 to 100 tons an hour since 1975, while pouring reel production was boosted in the same time from 60 to 70 tons an hour. More than 10 years after becoming the 'father' to a new generation of rod mill technology, No. 2 Rod Mill continues to rank among the world's most productive facilities of its type.

Before the coil of rod can be made into fasteners, the steel is usually heat-treated to improve its cold-headability. For some end products, the rod must be annealed; for others it must be spheridized.

Both annealing and spheridizing of the rod from No. 2 Rod Mill are performed at Stelco's new Continuous Rod Processing Plant in Burlington, about a 20-minute drive from Hamilton. Opened

(Continued on Page 9)





As a part of a multi-million-dollar project aimed at increasing productivity at its No. 2 Rod Mill, the Company has replaced manual strapping operations with the automatic strapping machine shown in the TOP photo. The old method of strapping is depicted in the BOTTOM photo.

## Rod mill

(Continued from Page 8)

in 1976 on a greenfield site, the Burlington plant features a continuous, pusher, radiant-tube, gas-fired furnace which is the first of its kind in Canada.

The furnace, which immediately boosted Stelco's rod processing capacity, operates continuously. The finished material is of a high degree of uni-

formity from ring to ring, coil to coil, and lot to lot.

Yet productivity gains have already been made. While maintaining the same optimum standard of finished rod, the furnace's 'long' cycle for spheridizing has been shortened by 10 per cent. Studies are currently being undertaken to fine tune the spheridizing cycle to improve processing speeds while maintaining the exacting standards of the company's fastener plants.

## Employee service

### 30 YEARS

**Canada** — R. J. Knights, Fine Wire.

**Dominion** — D. Lalonde, Field Fence; A. L. Pilon, Stranding.

**Frost** — M. Penny, Welded Fabric.

**Hilton** — J. Bahrij, Primary Mills Mechanical; W. Barnasz, Yard Services Track; V. Bartiniakas, Steelmaking; J. Binczak, Yard Services Track; J. Biskup, Yard Services Maintenance; E. Borycki, Coke Ovens; E. E. Broad, Welders; L. K. Coolen, East Side Maintenance; W. Czmuniewicz, Steelmaking; J. H. Dorey, Coke Ovens; P. Gudowski, Yard Services Maintenance; J. H. Hayne, 12-10" Mill; L. Holubek, Continuous Galvanize; W. Jakim, Yard Services Track; S. Jobczyk, Yard Services Track; P. Kazemekas, Steelmaking; C. Kielar, Yard Services Maintenance; M. Kielar, Yard Services Track; A. Kordus, Cold Mill; J. Krawczyk, Yard Services Maintenance; P. Lukavicius, Steelmaking; T. Malyski, Yard Services Maintenance; V. Michlewicz, Yard Services Track; F. P. Milbury, 12-10" Mill; M. Mys, Steelmaking Mechanical; M. Pazucha, Yard Services Track; M. Popadiuk, Steelmaking; M. Procajlo, Coke Ovens; P. Rekis, Coke Ovens; J. Rudaniecki, Steelmaking; R. J. Shephard, No. 2 Rod Mill; S. Stuszynski, Yard Services Trucks; S. Szpiech, Bar Processing; S. Tosta, Yard Services Maintenance; J. Trzbiatowski, No. 1 Bloom Mill; F. Urbaitis, Steelmaking; F. Urbanowicz, Tin Mill; A. Venchaitis, Steelmaking; I. J. Worobel, Utilities Steam Generation; H. Zdzierak, Yard Services Maintenance.

**Notre Dame** — M. Martineau, Bolt & Nut Ship.

**Page-Hersey** — J. R. Beaparlant, Machine Shop.

**Stelco Tower** — R. C. Reynolds, Sr. Prod. Metallurgist, Coated Sheet Prod.; K. W. Johnson, Transportation.

### 40 YEARS

**Eastern Sales Office** — F. H. Ekins, Quebec District.

## Girls' softball

Any girls interested in playing for the Stelco team in the Hamilton Ladies Industrial Softball League are invited to try out at practices starting the first Monday evening in May, at Churchill Park diamond. Players must be Stelco employees or wives of employees and some playing experience is preferred. Anyone interested should contact coaches Ray Barrett (Ext. 4182) or Ron Upton (Ext. 2933).



# VOLUNTEERS

Shortly after giving his 88th blood donation, Henry Lindfield took a brief tour of the laboratory operations at the Red Cross headquarters in Hamilton. Here, he watches Lab Assistant Laurie Hampson as she separates bags of plasma for hospital use.



## A gift of life – 88 times

Henry Lindfield has donated 88 pints of his blood over the years, but one of the donations he recalls most vividly doesn't even count in that total.

It was at a gory accident scene on a highway in Holland in the 1950s, he said.

A small French car had crashed head-on into a truck carrying bricks. A woman was thrown free, but a man was trapped in the car wreckage, bleeding badly.

A doctor happened to be travelling along the highway and stopped to give medical aid, although the man could not be freed from the demolished car.

"I ran up and said I was a blood donor and asked if I could help," said Henry. A check of blood types showed his and the injured man's were the same.

Henry climbed under the truck, lay on his back on the cold pavement and the doctor hooked up equipment for a direct transfusion to the injured motorist inside the car.

"I must have given over two pints," Henry recalled. "When I got up, I was feeling pretty woozy, I'll tell you."

The truck was eventually jacked up and the man was pulled from the wreck-

age and taken to hospital. He lived, although part of one leg was amputated. The doctor wrote Henry later, thanking him for his courageous assistance.

Ever since he was an early teenager in London, England, Henry has considered the donating of blood a natural routine to help one's fellow man.

"When I was a kid, it was really something to be old enough to give blood," he said. "You'd go out and brag about it."

Now, as an employee in the Cold Mill at Hilton Works, with 28 years' service, he is still a regular donor, as are his two sons, Peter, 25, and Michael, 22.

The car accident in Holland was just another adventure for Henry Lindfield, who saw more than his share of excitement during a naval career that lasted for 16 years. He served on five destroyers during that time, three of which were sunk during action.

He was serving aboard the HMS Sikh in the Indian Ocean when the Second World War broke out. That ship was later sunk in the harbour at Tobruk.

Later in the war, another destroyer, HMS Wanderer, was part of a convoy from South America when it was hit by

torpedoes and sunk. He spent 69 days on a raft before being picked up and taken to New York. Only one other man on the raft survived.

In the latter portion of the war, he transferred to an American Army unit. Back in England after the war, he stayed in the naval reserve and was called up to serve aboard a ship during the Korean War.

After leaving the Navy in 1953, he worked for a company in Holland involved in many projects, from demolition of ships to sand-blasting of buildings. He came to Canada in 1959 and started work with Stelco.

He has also had some unusual experiences in giving blood donations at various locations around the world. He recalled one in Thule, Greenland ("it was so cold it came out in spurts") and in New York City ("I got \$50 for one donation – I guess that's what they charged the patient – but I thought that was ridiculous. I dropped it in the poor box on the way out.")

Henry married his wife in Holland after the war. Their daughter, Dorothy, moved to that country after she was married. The Lindfields live on the Mountain in Hamilton.

"The people in Canada are very lucky to have this free blood service through the Red Cross," he said. "You should see what happens in some other countries, where they have to pay for it."

"I often wonder why more people don't give blood," he added. "You never know when you might need a transfusion yourself. It could happen any day when you cross the street."

### Blood donors needed

Every week of the year, the Hamilton Branch of the Canadian Red Cross Society faces a numbers challenge. The magic figure is 1,100 – the number of people they must find to donate a pint of blood that week.

The blood is needed for 32 hospitals from Niagara Falls to Kitchener to Oakville.

That's why it was disappointing to note the blood donor clinics at Hilton Works last year had a total of 2,018 donations – 301 fewer than the previous year. The remaining clinics this year are April 20, June 28, July 13, August 8, September 21 and December 28, from 9 - 11.30 a.m. and 1 - 3 p.m. At Stelco Tower, the dates are June 2, September 1 and November 24, from 9 - 11.30 a.m.



## PRODUCTS

# Stelco design for rail clip

A forged steel clip designed by a former Stelco employee to secure overhead crane runways at Hilton Works is now being marketed by the Company for other interested firms.

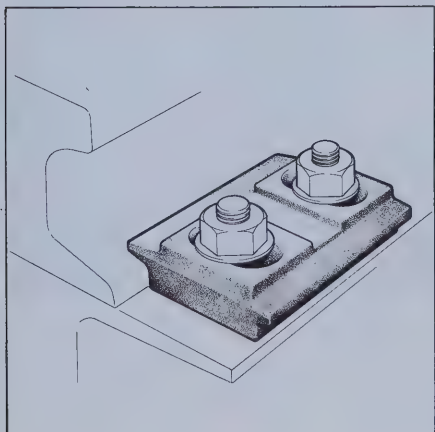
There are about 25 miles (40 km) of overhead crane runway rails supporting some 360 cranes at Hilton Works. Prior to 1962, the Company machined different clips for each of the various rail sizes and even brought in "specials".

Over a period of years, an employee of the Civil Engineering Department, Alfred Drha, since deceased, designed a steel clip that was found to be "universal", in that it fit most of Stelco's overhead runway rails. It was called the A90 Universal Rail Clip and still remains basically the same as originally designed.

Unlike the machined hook bolts previously used, the A90 is forged from steel bar stock at Gananoque Works. It is five inches long by 3¾ inches in width. It consists of a steel body with two holes punched for fastening purposes and a lip running longitudinally on both sides (see drawing).

Crane rails frequently have to support cranes weighing up to 300 tons (270 t) handling loads up to 200 tons (180 t). The A90 clips are installed on both sides of the rail, at one foot (0.3 m) intervals and are used on about 15 miles (24 km) of double rails. In Hilton Works alone, the Company has nearly 160,000 clips in service and no problem has ever been found with them.

Stelco has recently begun marketing the clips — orders of 5,000 or more clips are accepted directly. Fewer than 5,000 may be ordered through Febreeka Canada Limited, of Toronto.



Reviewing details for an upcoming meeting of the Hamilton Branch of the Association of Administrative Assistants are (left to right) Jessie Knox, Pauline Kavanaugh, Helen Penner, Kay Kerr and Adele James.



## Five serve on branch executive

Five Stelco employees have taken key roles with the Hamilton Branch of the Association of Administrative Assistants this year.

The Association was formed to further the professional and personal development of private secretaries or administrative assistants and the local Branch meets once a month. Guest speakers deal with business, political or cultural subjects.

There are 27 members in the Hamilton Branch and the five Stelco members all hold offices in the 12 executive positions available.

Jessie Knox (Personnel Department) is Past Chairman and a Director on the National Board of the Association. Pauline Kavanaugh (Legal Department) is the current Chairman of the Hamilton Branch.

Helen Penner (Insurance) is the Pro-

gram chairman, Kay Kerr (Environmental Control) is Membership chairman and Adele James (Purchasing) is Publicity chairman.

In conjunction with the University of Toronto, the Association offers a correspondence course for secretaries, whether they are members or not.

When completed, this course awards the member a certificate and the designating letters "QAA" (Qualified Administrative Assistant). The QAA course is not essential for membership.

Every two years, the Association's Hamilton Branch holds a "Management Night" to which the members' immediate supervisors are invited. This year's event was held February 16 at the Hamilton and District Chamber of Commerce and the guest speaker was J. Peter Gordon, Chairman and Chief Executive Officer.



**SNOWMOBILE OUTING** — About 70 youngsters with the Children's Aid Society and Catholic Children's Aid Society in Hamilton-Wentworth enjoyed a day of outdoor fun courtesy of the Waterdown Sportsmen's Club, on Sunday, February 12. Several Stelco employees are club members. Offering snowmobile rides to the kids were Bill Bent (left) and Frank Andela, both of the Coke Ovens Mechanical Department at Hilton Works. There was also a bonfire and barbecue, with plenty of refreshments for all.





**SMILES FOR SAFETY** — When the Hamilton Finishing Works Safety Award was presented to Canadian Drawn Works for the most improved safety record at Hamilton area finishing plants during the second half of 1977, smiles for safety were everywhere. The major plaque is held by Ken Miller, a Safety Committee member, after being presented by Peter Prediger, General Superintendent, Wire, Wire Products and Screw Operations. Reg Melanson holds the keeper plaque, which will stay at Canadian Drawn Works.



**50TH ANNIVERSARY** — Joseph and Antonina Mistal, of Sunrise Drive, Hamilton, celebrated their golden wedding anniversary on January 21 with a family dinner at Sir Stefan's Restaurant and later at the home of their daughter and son-in-law, Mr. and Mrs. Stanley Streker. Mr. Mistal was employed at Stelco for 39 years and retired from the Sheet Services Department on April 1, 1967. The couple were married in St. Stanislaus Church and have one daughter, three grandchildren and one great-granddaughter.



**MARRIED 50 YEARS** — Howard and Nellie Browne were honoured by family and friends recently at a dinner at the Holiday Inn in Brantford, on the occasion of their 50th wedding anniversary. They were married at Mrs. Browne's father's farm near Delhi on October 20, 1927. Howard was employed by Stelco for 26 years as a tool maker at Brantford Works, retiring in January, 1967. He was active with the Works' Credit Union, being elected President in 1956 and 1957 and serving on various committees.

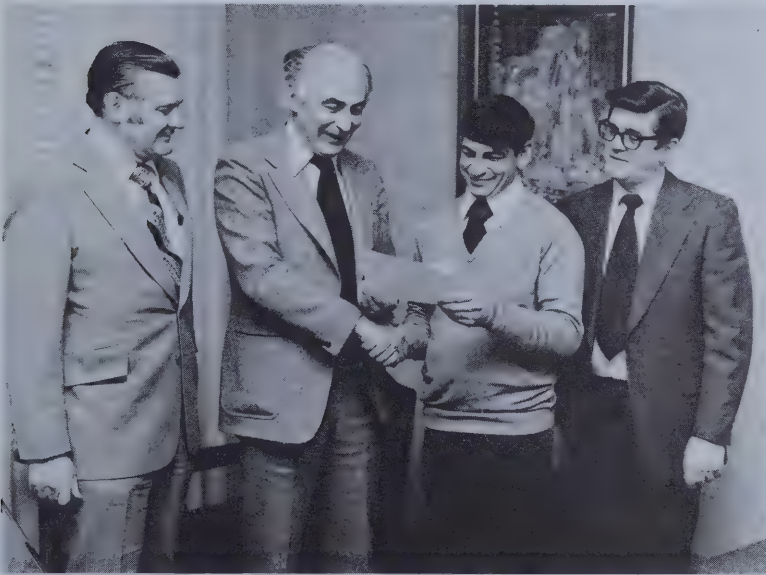


**FROST 25-YEAR MEN** — There are now 79 members in the Quarter Century Club at Frost Works, 48 active employees and 31 retired employees. This year's banquet was held at the Holiday Inn in Hamilton February 3. Shown here are: (seated, left to right) Evo Mori, Michael Leger, Joe St. Anne; (standing, left to right) Jack Warren, Peter Prediger, General Superintendent, Wire, Wire Products & Screw Operations, John Melko and Jack McInerney, Superintendent.





**SENIOR BOWLERS** — Only four years after the Stelco Senior Ten-Pin League was launched, there are now 68 bowlers actively participating. The league is divided into 14 teams and members bowl at the Skyway Lanes, Melvin Avenue, every Wednesday during the winter at 12.30 p.m. Preparing to bowl is this group: (left to right, with former departments in brackets) Stan Skene (Canadian Drawn Works), Jim Miller (Research & Development), Floyd Knapp (Electrical), Bill Niblock (Open Hearth), Gord McGilvery, seated (Plate & Strip), Norm Jackson (No. 1 Rod Mill) and Fred Byers (Yard Services). Fred is the league President, with Norm as Secretary, Bill as Vice-President and Stan as Treasurer. The league's annual banquet will be held April 26 at the Crestwood Restaurant. Any retired Stelco employees are invited to join the league on Wednesdays. There are no money prizes, but trophies are given to the top bowlers.



**EARN \$5,000 PAYMENT** — Andrew Holmes (second Right) earned a \$5,000 payment from the Hilton Works Suggestion Plan recently for proposing a change in the valve system at No. 3 Bloom and Billet Mill. The idea reduced maintenance substantially at the mill. Presenting the Suggestion Plan cheque was Fred Hoyle, General Works Manager. Adding their congratulations were Ab Styan (left), Superintendent, Primary Mills and Conditioning, and Don Hunter, Mechanical Foreman, No. 3 Bloom and Billet Mill.



**GOLDEN WEDDING** — Stanley and Sophia Durka of Hamilton celebrated 50 years of marriage on February 11. A family dinner was held in honour of the occasion at the Crestwood Restaurant in Hamilton. Mr. Durka was an employee in the Electrical Department at Hilton Works and retired in September, 1971, with 42 years' service.

**CREDIT UNION BOARD** — The new President of the Stelco Employees' (Primary Works) Credit Union Limited is George Jones (seated, centre), Coordinator — Employee Benefits Administration, Salary & Benefits Department. Members of the organization's Board of Directors have a total of 261 years of service with Stelco, an average of 29 years. They are: (standing, left to right) Tom Olds (Cold Mill), John Giglia (Mechanical), Cliff Shearer (Blast Furnace), Ray Duck (Mechanical), Bob Walsh (Utilities), Jim Nowlan, General Manager, Alex Gracie (Electrical), (seated, left to right) Dave Dalglish, Vice-President (Chem. Lab.), George Jones, Murray McDiarmid, Secretary (Salary & Benefits).





## Cancer bowl-off

Two Stelco employees will compete in a pairs five-pin bowling challenge to raise funds for the 1978 cancer campaign in Hamilton.

It is the second year in a row for the one-game bowl-off. Last year, Ev Wood, of the General Superintendents' office at Hilton Works, easily defeated Mayor Jack MacDonald and pledges totalled more than \$6,200.

This year, Ev will compete again, but the opposition promises to be tougher. Ev will team with partner Lloyd Ormerod against Ron Upson, of the Transportation Department, and Ron's partner, Sue Davies. All four are Master Bowlers, with averages from 240 to 265.

This year's game will be held Friday, March 31, at 10 a.m., at Sportsman's Lanes, Charlton Avenue. Pledge slips are available from offices and cashiers at Hamilton plants.

## OBITUARIES

**Fred Broad**, a retired Hilton Works #1 Bar Mill employee, died on January 20. He had 20 years' service with Stelco.

**Roy Harvey Brooks**, a Hilton Works Primary Mills employee, died on January 29 after 38 years' service with the Company.

**Quintino DiLuca**, a Hilton Works Utilities employee, passed away on December 26 after 9 years' service with Stelco.

**Lino Dinon**, a retired Hilton Works Steelmaking employee, died on October 23. He served 25 years with Stelco.

**Paul Eden**, a Hilton Works 12-10" Mill employee, passed away on January 26 after 27 years' service with Stelco.

**Stanley Gryzlak**, a retired Hilton Works Open Hearth employee, died on January 16. He had 22 years' service with Stelco.

**Joseph S. Harley**, a retired Hilton Works #2 Cont. Galv. employee, passed away on February 2. He served 35 years at Stelco.

**David Hollywood**, a retired Hilton Works Mechanical employee, passed away on January 15. He had 27 years' service with the Company.

**Arthur O. Hooper**, a retired Hilton Works Open Hearth employee, died on January 14. He had 25 years' service with Stelco.

**Dan McIntyre**, a Page-Hersey Inspection employee, died on January 24 after 30 years' service with the Company.

**Leslie R. Meek**, a Hilton Works Rod & Bar Mechanical employee, passed away on December 22 after 12 years' service with Stelco.

**Peter Mirilovich**, a Page-Hersey Mechanical employee, passed away on January 16 after 38 years' service with the Company.

**Delbert Nixon**, a retired Hilton Works 20" Mill employee, died on January 26. He had 31 years' service with Stelco.

**Rocco Ranalli**, a Hilton Works Yard Services employee, passed away on January 10 after 12 years' service with Stelco.

## ORGANIZATION CHANGES



D. W. Bartolotta



M. J. Duffy



J. W. Farrell



David Goodger



J. L. Kozina

**D. W. (Dave) Bartolotta** is now Sales Representative, Territory 502. He was Sales Correspondent, Saint John.

**M. J. (Mike) Duffy** is now Technical Services Engineer, Technical Services and Property Development Department. He was Project Engineer L.E.D.

**J. W. (Jim) Farrell** is now Sales Representative, Territory 414. He was Sales

Correspondent, Calgary.

**David Goodger** is now Senior Engineering Supervisor — Computers and Drive Systems, Specialized Engineering. He was Supervisor — Special Drives and Controls — Electrical Department.

**J. L. (Joe) Kozina** is now Electronic Data Processing Auditor, Internal Audit Department. He was Field Audit Supervisor.

### HILTON WORKS

**Jack L. Bairstow**  
Steelmaking Open Hearth  
after 43 years' service

**Jack P. Battersby**  
Plate & Strip  
after 30 years' service

**Cecil G. Carr**  
Rod & Bar Mills  
after 42 years' service

**Samuel Clough**  
Primary Mills  
after 38 years' service

**Aniello Corcione**  
Blast Furnace  
after 27 years' service

**Dirk Faber**  
Coke Ovens Mechanical  
after 24 years' service

**Miroslav Havlik**  
Plate & Strip  
after 28 years' service

**William James Heggie**  
Welders  
after 20 years' service

**John Hostick**  
Steam Gen. Utilities  
after 32 years' service

**Clifford A. Hurd**  
Yard Services Trans.  
after 21 years' service

**Jan Rojek**, a Hilton Works Steelmaking employee, passed away on January 9 after 28 years' service with Stelco.

**Steve Runka**, a retired Page-Hersey 2-8" Finish employee, died on January 14. He served 34 years with the Company.

**Anthony Schlosser**, a Canada Works Maintenance employee, passed away on January 12 after 1 year of service with Stelco.

**Guenter Ueberschaer**, a Hilton Works Cold Mill employee, died on January 17 after 17 years' service with Stelco.

## RETIREMENTS

**Anthony W. Kempa**  
Primary Mills Mech.  
after 30 years' service

**William H. T. Linley**  
Plate & Strip  
after 30 years' service

**Antanas Muliuolis**  
Coke Ovens  
after 28 years' service

**W. E. Morton Oxford**  
Plant Protection  
after 21 years' service

**Anthony Polski**  
Steelmaking O.H.  
after 29 years' service

**Seigi Umetsu**  
Blast Furnace  
after 16 years' service

**Henry Verbeek**  
Bar Processing  
after 13 years' service

**Leslie S. Wherry**  
#1 Bloom Mill  
after 42 years' service

**Burt Wilson**  
Steelmaking  
after 29 years' service

**Edmund Zwolak**  
Cold Mill  
after 37 years' service

### DOMINION WORKS

**Frederick W. Hodkin**  
Operating  
after 49 years' service

### EDMONTON

**Erich Kauss**  
Refractory Dept.  
after 22 years' service

**Thomas B. Young**  
Stores  
after 21 years' service

### FROST WORKS

**Joseph St. Anne**  
Plants 1 & 2  
after 25 years' service

### LAKE ERIE

**Harry F. Longley**  
Major Projects Group  
after 32 years' service

### NOTRE DAME

**J. R. Roland Gagnon**  
Nail Dept.  
after 31 years' service

### PAGE-HERSEY

**Mike Bosnich**  
2-8" Mill  
after 19 years' service

**Frank Hracs**  
2-8" Finish  
after 21 years' service

**Harry Lodba**  
Electricweld Tubing  
after 28 years' service

**Leonard J. M. Philippe**  
16" Finish  
after 20 years' service

# FAMILY PORTRAITS

Karen Dean, of the Printing Department, and her husband Andrew have two daughters, Colette, 17, and Andrea, 5. Colette has been playing the clarinet for a number of years and is currently a member of her school band. Andrea is involved in both skating and dancing. The Deans, who enjoy travelling, have recently returned from Florida and are planning a trip to California next Christmas.



A visit from Grandma is always a special occasion, especially when she has travelled all the way from Wales for a stay. That was the case when we took our "Family Portraits" picture of the Ellis Jones family. Mrs. Eunice Jones (second right) was visiting from Swansea in South Wales with Ellis and Margaret Jones at their home on Mohawk Road West in Hamilton. Their daughters are Beverley, 15, and Mandy, 10, who is giving Grandma a big hug. Ellis is a Compressor Operator in the Steam Generation Division of Utilities at Hilton Works. He keeps busy as Chairman of the Stelco Utilities Social Club. Beverley is a student at Sir Allan MacNab Secondary School and is involved in gymnastics, while Mandy attends Chedoke Public School and enjoys Brownies, skating and other sports.

If you would like to have your family's portrait taken free of charge and appear in Stelco Flashes, please fill out the following information and send to:

Stelco Flashes,  
Stelco Tower,  
100 King Street West,  
Hamilton, Ontario.

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone No. \_\_\_\_\_

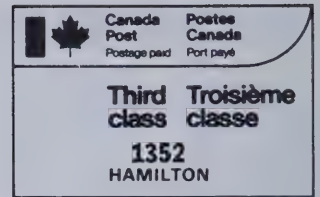
Department \_\_\_\_\_



# stelco **FLASHES**

Mr. Rod Oram

The Globe & Mail  
444 Front St. West  
Toronto, Ontario  
M5V 2S9



THE STEEL COMPANY OF CANADA, LIMITED • HAMILTON, ONTARIO

## Cancer can be beaten. What's it worth to you?



Time. Money. And you. That's what has brought us where we are today.

Many kinds of cancer now can be controlled. The earlier they are detected, the better the chance of successful treatment.

Our knowledge about cancer

continues to grow.

The list of treatments, from radiotherapy to chemotherapy is an impressive one.

But we need to do more.

We need to know more.

Very simply... we need your help.



## Please be generous.

## Annual Report 1978

(Year ended December 31, 1978)

### Financial Highlights

Dollars in millions except as indicated\*

		1978	1977	% Change
Sales	\$	1,775.7	1,444.1	+ 23
Net income	\$	120.2	90.2	+ 33
Per cent of sales	%	6.8	6.2	
Per convertible share†	\$	4.40*	3.36*	
Dividends declared — preferred	\$	11.5	8.2‡	+ 40
— convertible	\$	43.2	42.0	+ 3
Per convertible share	\$	1.75*	1.70*	
Convertible shareholders' equity	\$	953.7	888.1	+ 7
Per convertible share	\$	38.59*	35.95*	
Capital expenditures	\$	145.3	144.6	0
Depreciation	\$	56.7	55.1	+ 3
Materials and services bought and used	\$	984.1	782.6	+ 26
Total employment costs	\$	559.0	495.0	+ 13
Raw steel produced — thousands of net tons		5,533	5,640	— 2
Steel shipments — thousands of net tons		4,466	3,995	+ 12

### Distribution of Total Revenue

Purchases of goods, supplies and services	%	53	52
Wages, salaries and employee benefits	%	30	33
Depreciation	%	3	4
Interest on long-term debt	%	3	3
Federal, provincial and municipal taxes	%	4	2
Dividends	%	3	3
Earnings reinvested in the business	%	4	3
	%	100	100

†After preferred dividends. (See Note 1 on page 21.)

‡Covers a nine month period. (See Dividends on page 4.)



# A report from the Chairman of the Board

The Canadian steel industry experienced high levels of demand across virtually all product lines in 1978 with the exception of large diameter pipe. Canadian steel shipments increased by 12% to a record 12.8 million tons. Steel mill direct exports continued at high levels and, to date, the Canadian steel industry has experienced little difficulty complying with the provisions of the U.S. trigger price mechanism. Import volume remained at essentially the same level as in the previous year. Prices for imported steel increased significantly due to the lower value of the Canadian dollar and efforts by offshore producers to restore profitability.

Canadian manufacturers were assisted materially in 1978 by the significant depreciation of the Canadian dollar relative to the U.S. dollar and the currencies of our other major trading partners. This improved the competitive position of manufacturers, stimulated exports and allowed import displacement. The decline in the dollar, however, increased the cost of imported materials, put upward pressure on interest rates and inhibited business capital investment. Total Canadian manufacturing growth was broadly based with new orders at year-end up 29%, capacity utilization rates recovering to about 90% and inventory levels falling.

Stelco benefited directly from this favourable economic climate which generated a healthy demand for steel. With the exception of the large diameter pipe plants, our steel mills and fabricating plants operated at close to capacity throughout most of the year. Sales of \$1.8 billion and net income of \$120 million were both records.

Construction of the Lake Erie Development proceeded at a satisfactory pace. Long-range studies to determine the next major expansion phase at Lake Erie are currently under review and we anticipate finalizing our decision on this important matter in 1979.

International developments continue to have major implications for the Canadian steel industry. In response to widespread predatory trading practices adopted by exporters in steel surplus nations, the United States instituted the reference or trigger price mechanism, effective February 21, 1978. In essence, trigger prices

are designed to assist in the elimination of unfair import competition by accelerating anti-dumping action where justified.

While any type of control mechanism is inconsistent with the concept of free trade, this system appears to be more equitable than import quotas which impact both fair and unfair competition.

The Common Market countries also acted to restore price stability in European steel markets. On January 1, 1978 the European Commission implemented the Davignon Plan, setting quotas and price minimums for domestic producers and basic prices for imported steel which applied until voluntary restraint agreement could be concluded with the major steel exporters to the European Community.

Recognizing that steel diverted from European and United States markets could flood into Canada and drastically disrupt our domestic markets, the Minister of National Revenue reacted to the United States and European actions by forming a special Steel Task Force within the Anti-dumping Tribunal. This group monitors imports of steel into Canada and is empowered to initiate and conduct accelerated anti-dumping investigations should this be deemed necessary. At this time, Canadian steel producers are generally satisfied that existing anti-dumping legislation is adequate, provided that monitoring continues and the provisions of the Act are vigorously enforced.

While the Canadian steel industry has been busy and reasonably profitable, there is no room for complacency. The bulk of world steelmaking, including a significant share of Canadian steel capacity, is government-owned or controlled. The trend in this direction is accelerating as European governments take new initiatives to support their steel industries and as developing countries continue with ambitious steel expansion projects. It is very evident that competition by private concerns with government subsidized industry is an unequal contest. It is to be hoped that one outcome of the Tokyo round of multilateral trade negotiations will be a code governing subsidies and countervailing duties.

The business outlook for 1979 is reasonably good. Real economic growth of 3.5% should be achieved due, in part, to more favourable tax policies and to continuing stimulus from the decline in the value of the Canadian dollar. World steel consumption is forecast by the International Iron and Steel Institute to grow by about 2.8% in 1979. Canadian steel shipments should total 13 million tons, up 1.5% from 1978. Our domestic outlook for the first six months indicates a continuance of the high demand. The second half will reflect the health of the North American economy at that time.

## Executive changes

During the year the Company lost through retirement three senior executives who have made substantial contributions to its success. Mr. A.D. Fisher retired June 1, as Vice-President, Corporate Planning and Research, after 41 years of service; on June 30, Mr. B.M. Kinnear, Treasurer, retired after 29 years of service; and in March, after 32 years of service, Mr. V.O. Phillips relinquished his responsibilities as Assistant Comptroller — Works Accounting.

During 1978 the following appointments were made:

- Mr. A.R. McMurrich: Vice-President, Marketing and Corporate Planning.
- Mr. A.J. Harris: Vice-President, Engineering, Research and Procurement.
- Mr. G. Binnie: Treasurer.
- Mr. G.W. Bowlby: Vice-President — Sales.
- Mr. A.G. Northcott: Assistant Comptroller.

The year has provided a broad range of challenges for all employees, and it is with deep appreciation that the Directors and Officers acknowledge the continued support of employees, customers, suppliers, and shareholders who have made this record year possible.



Chairman of the Board and  
Chief Executive Officer

Toronto, Canada  
February 19, 1979



**New steel plant in 1980:** The Lake Erie Development has played a prominent part in the Company's plans to meet the steel needs of tomorrow's markets. The Development's first stage will boost raw steel capacity by 1.3 million tons per year, beginning in early 1980. Here, the Company's team of Executive Officers study a model

of the Basic Oxygen Furnace — a facility incorporating the latest innovations in steelmaking and environmental control technology. From left to right: G. H. G. Layt, Vice-President, Operations; J. W. Younger, Q.C., Vice-President, Secretary and General Counsel; J. D. Allan, President;

R. E. Heneault, Vice-President, Administration; A. R. McMurrich, Vice-President, Marketing and Corporate Planning; W. C. Chick, Vice-President, Finance; J. P. Gordon, Chairman of the Board and Chief Executive Officer; A. J. Harris, Vice-President, Engineering, Research and Procurement.



# A report from the President

## Sales and production

Demand for steel strengthened and accelerated during 1978, led by a buoyant automotive sector. As a result, surplus inventories were liquidated and the Company found it increasingly difficult to meet its customers' full requirements.

Sales revenue of \$1,775.7 million was 23% higher than the \$1,444.1 million in 1977 due to an increased level of shipments, higher selling prices and an improved mix of products sold.

Steel production declined to 5.5 million tons from 5.6 million tons in 1977. The lower production was mainly due to the scheduled reline in the fourth quarter of the Company's largest blast furnace.

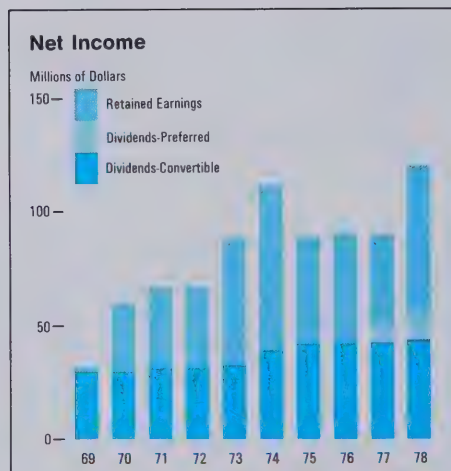
The small blast furnace which had been shut down since the first quarter of 1977 because of reduced demand, was re-activated in the second quarter of 1978. The reline of C blast furnace, originally scheduled for 1978, was deferred until 1979.

## Net income

Consolidated net income for the year increased significantly to \$120.2 million from \$90.2 million in 1977 and exceeded the previous record of \$110.9 million earned in 1974. Earnings available to convertible shareholders were \$4.40 per share after allowing for \$11.4 million preferred dividends compared with 1977 earnings of \$3.36 per share after allowing for \$7.3 million dividends on the preferred shares which were issued in May of that year. The allowance for preferred dividends is calculated at the prescribed rate for the full year in 1978 while the allowance for 1977 was for eight months only. (See Note 12 to the Financial Statements on page 24.)

Fueled by continuing inflation, manufacturing costs increased significantly during the year. There were higher employment costs resulting from the various labour contract settlements. (See Employee Relations, page 12.)

The decrease in the exchange rate of the Canadian dollar added significantly to the costs of coal and iron ore from the United States. In addition, labour disputes resulted in higher costs for



these raw materials. (See Raw Materials, page 8.)

Other items whose prices increased during the year were energy, scrap and most supplies. While these cost increases were partially offset by cost reduction programs and better productivity, it was necessary to raise the prices of most products in order to maintain reasonable margins. All price increases were within the Anti-Inflation Board's guidelines.

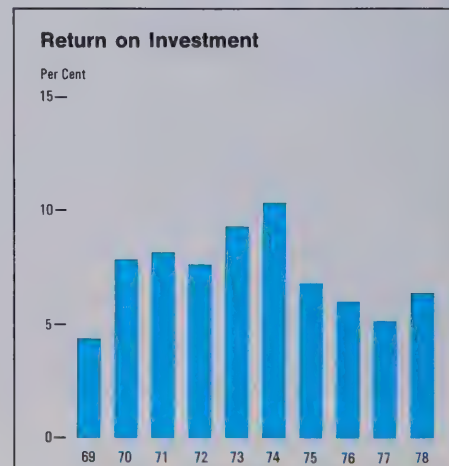
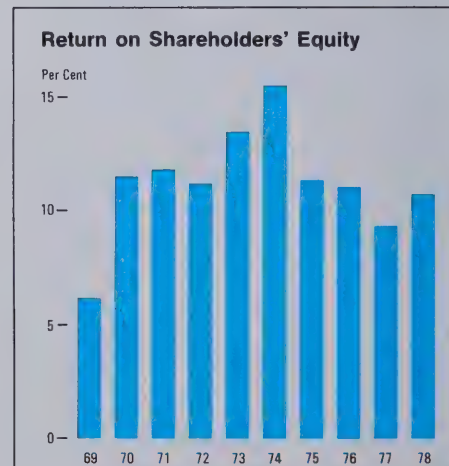
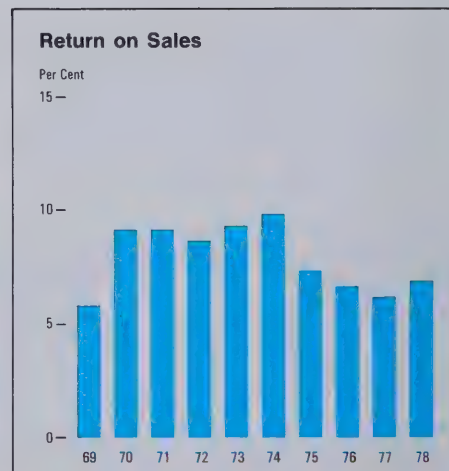
The cost of borrowed funds, including those to finance the capital expenditures for the Lake Erie Development, was once again a material item in arriving at net income for the year.

Income taxes increased significantly over the prior year due primarily to the higher level of pre-tax earnings.

## Dividends

Dividends declared on preferred shares during 1978 amounted to \$11.5 million compared with \$8.2 million declared in 1977 when the preferred shares were issued. The increased amount for 1978 reflects a full twelve month period compared with nine months for 1977 and the higher Canadian bank prime rates which prevailed in 1978. (See Note 12 to the Financial Statements on page 24.)

In December, the Board of Directors declared a dividend of 45 cents per convertible share, payable February 1, 1979. This is an increase of 5 cents over the quarterly dividend of 40 cents, declared for each of the three previous quarters of the year. As in 1977, an extra dividend of 10 cents a share was



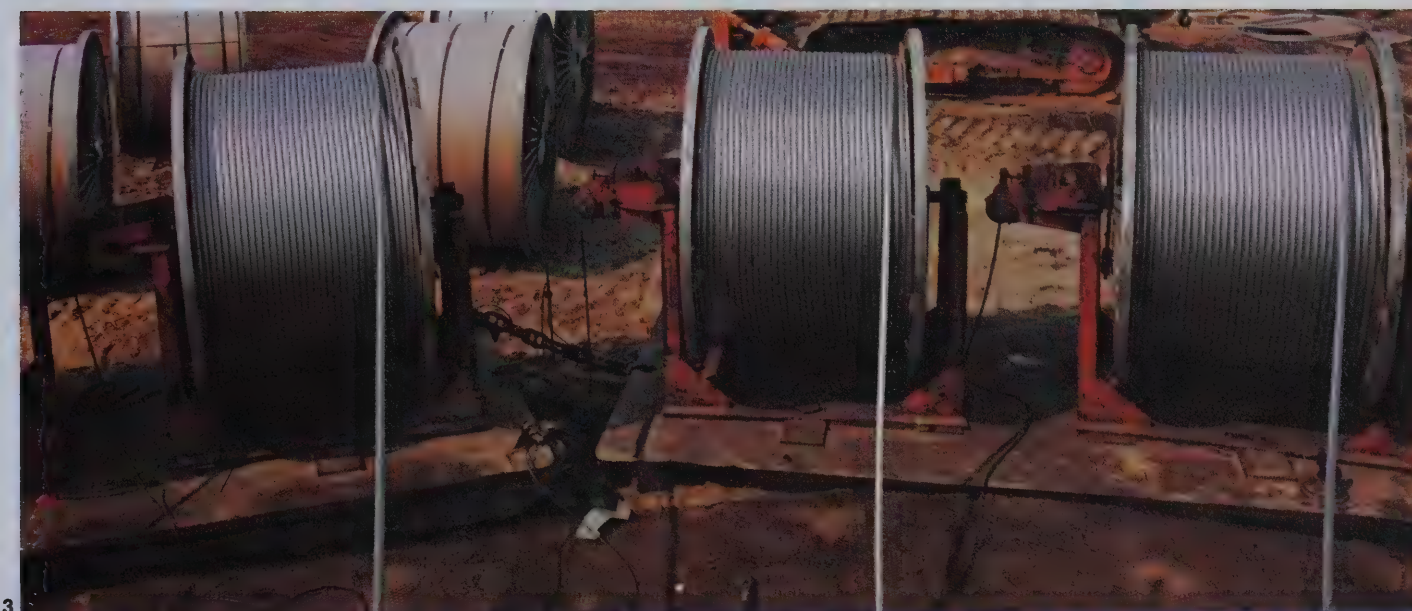
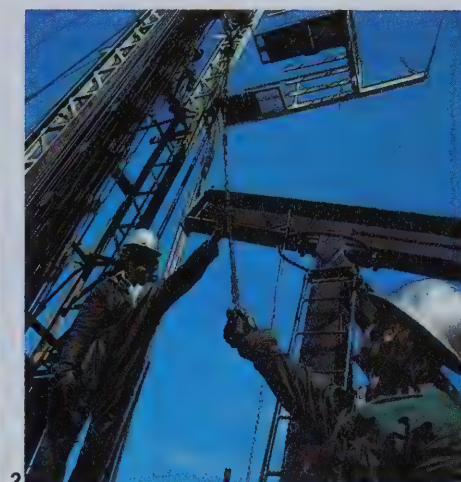
declared in December. This brought the total dividends declared for 1978 to \$1.75 per share aggregating \$43.2 million compared with \$1.70 per share and \$42.0 million in 1977. (See notes 10 and 12 to the Financial Statements on pages 23 and 24.)



The quest for energy: The need to find, harness and distribute all types of energy is one of the most critical tasks facing society today. It is an activity with vast potential for our Company. During the Federal-Provincial Conference of First Ministers in February, 1978, a figure of

\$180 billion was quoted for "total energy-related expenditures" for the next decade. All such projects will be heavy consumers of various types of steel; in addition Stelco's leadership in the manufacture of large-diameter pipe for oil and gas lines will

ensure a major participation for the Company (1). Other highly important products will include sucker rods and couplings for oil wells (2), and ACSR wire (3) for the transmission lines that carry electric power across our country.





## Financial position

### Capital investment

Capital investment for manufacturing and mining facilities was \$137.6 million in 1978 compared with \$141.4 million in 1977. Expenditures on the Lake Erie Development amounted to \$98.4 million with the remaining \$39.2 million being spent for environmental control, cost reduction, growth and market retention projects at the other plants of the Company.

During the year capital appropriations, approved by the Board of Directors, amounted to \$201.3 million including \$141.7 million previously approved in principle for the Lake Erie Development. At the year-end \$425 million remained to be spent on approved capital projects. (See Note 7 to the Financial Statements on page 23.)

### Intercompany investment

Investments in corporate joint ventures and partnerships increased by \$6.5 million to \$63.3 million in 1978. Participation in the Tilden and Eveleth Expansion iron ore projects accounted for most of the increase.

### Working capital

The Company's working capital position was down slightly at \$596.9 million from the \$605.6 million at the end of 1977. The outflow for capital expenditures, dividends and other uses amounted to \$204.4 million and exceeded the inflow from operations and other sources by \$8.7 million.

Cash and short-term investments amounted to \$185.4 million at year-end, down \$12.6 million from the previous year-end total. Accounts receivable increased by \$45.8 million to \$239.1 million at December 1978, reflecting the higher sales level. Inventories increased to \$469.2 million at year-end compared with \$448.7 million in 1977. The reduction in stocks of finished and semi-finished steel was partially offset by the increase in iron ore inventories. However, as noted elsewhere in this report, inflation added a further \$46 million to the amount invested in inventories.

Accounts payable rose to \$240.8 million at December 31, 1978, up \$42.5 million over the previous year-end. This increase is due to the higher level of activity and the effect of inflation on prices generally.

As a result of higher pre-tax earnings, the liability for income and other taxes increased \$18.3 million.

The ratio of current assets to current liabilities at 3.0 to 1 was down from 3.5 to 1 at the end of 1977.

## Inflation

The rate of inflation, as measured by Statistics Canada's Implicit Price Index, was down only slightly in 1978 from 1977. As a result of the high level of inflation, the measure of the Company's financial position, using historical values, tends to be distorted.

To date, there is still no consensus among businessmen, professional accountants and others as to whether or not it is appropriate to reflect the impact of inflation in financial statements. It is generally agreed, however, that readers of such statements should at least be given some supplementary information concerning the effect of inflation on certain key items so that they can make their own assessment as to its impact on the reported results.

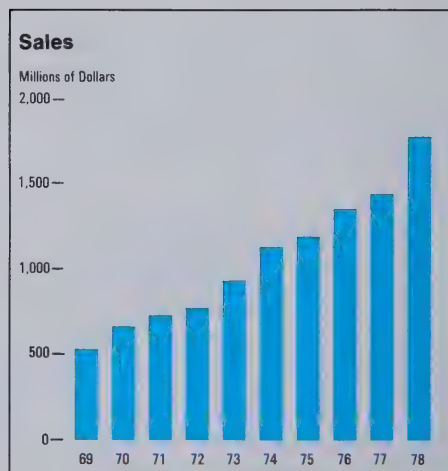
In the steel industry, because of the substantial investment required, inventories and fixed assets are two areas where, under conventional accounting practices, inflation can have a substantial effect on reported earnings and lead to impairment of capital through taxation. It is estimated that Stelco's investment in inventories increased by \$46 million due to inflation during 1978. Depreciation charges based on the reproduction cost of the Company's fixed assets, calculated using Statistics Canada's Implicit Price Indices for Non-Residential Construction and Machinery and Equipment, are estimated to exceed the reported 1978 depreciation by \$45 million.

## Shareholders

At year-end there were 38,147 holders of convertible shares compared with 36,408 at the end of 1977. Shareholders with Canadian addresses held approximately 97% of the convertible shares outstanding.

## Marketing

Stelco set sales records in 1978. Throughout most of the year, demand for a wide



range of Stelco products was considerably better than had been anticipated.

As the year began, automotive was the only area where there was a consistently strong demand. Customers in other traditional markets — construction, agricultural, steel service centres, appliance manufacturing and railroad car building — were operating below capacity.

In the second quarter and continuing through the balance of the year, there was a gradual improvement in demand generally. The automotive industry continued to set production records and other industries strengthened. The decline of the Canadian dollar enabled many customers to displace imports and increase exports. This currency decline, coupled with competitive steel prices also opened up export opportunities for the Company. While these opportunities were many, the strong overall Canadian demand called for support of domestic customers and tended to limit our ability to accept additional business from international customers. The Company continued to serve the traditional overseas markets and exports, as a percentage of sales, varied little from other years.

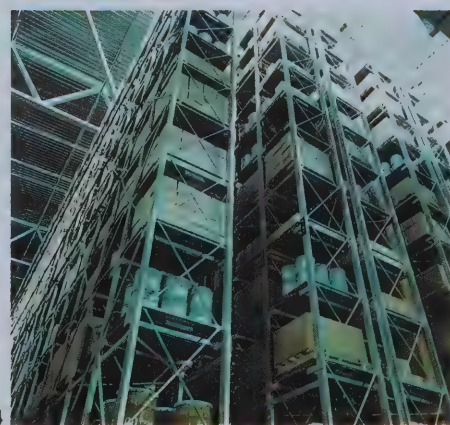
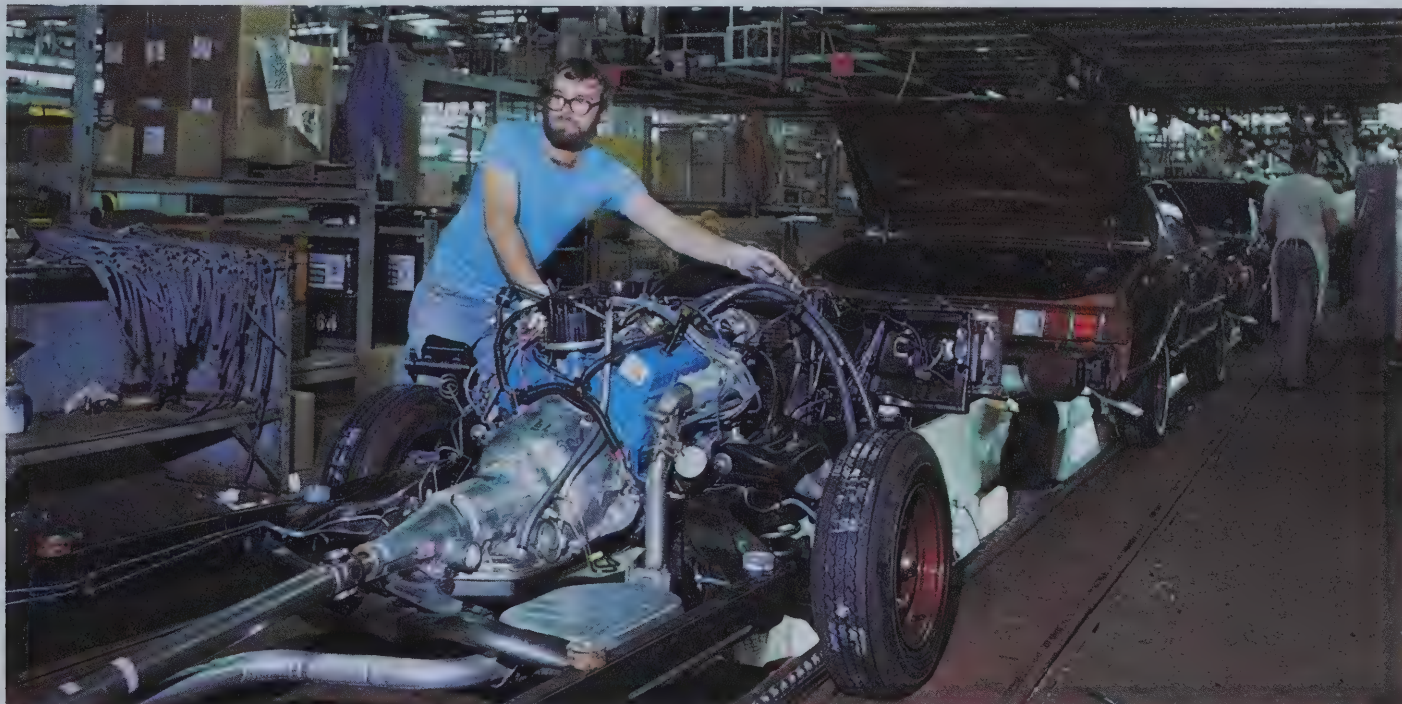
In summary, the year proved to be considerably more rewarding than even the most optimistic forecasts had predicted. Of even more significance, however, were the very positive indications of a bright future for the Canadian steel industry and for Stelco in particular. The Company foresees a strengthening demand for steel in its many forms. It will continue to be an essential material of our society. Facilities in place and under construction plus the underlying cost competitiveness of the Company will



The automobile industry: This is a period of significant change in automobile design. By 1985 all passenger cars must be capable of travelling at least 27.5 miles per U.S. gallon of fuel (or 11.7 kilometres per litre); this represents a 100 per cent increase in fuel efficiency since 1974. Engineers are

re-examining and re-designing components, attempting to make them light without losing strength. New, special high-strength steels are helping them in their task. Illustrated (1,2) are major automotive production lines in Southern Ontario. Precision cold

drawn bars from Stelco's Canadian Drawn Works (3) are widely used in the industry. Supplying the automakers is Stelco's Fastener Shipping Centre (4), North America's most modern, computer-controlled fastener warehouse.





allow Stelco to take maximum advantage of future opportunities.

#### **Foothills Pipe Lines (Yukon) Ltd.**

In late December of 1978 Foothills Pipe Lines (Yukon) Ltd. advised Stelco that its bid for the supply of line pipe on the Canadian portion of the Alaska Highway Gas Pipeline had been evaluated as competitive on an international basis. With the announced concurrence of the Canadian Government, Foothills has entered into contract negotiations with Stelco for a portion of the 1.5 million tons of pipe required. The Company is honoured and privileged to be designated as one of two Canadian suppliers to this great project so meaningful to the Canadian and United States economies.

#### **Corporate planning**

In May of 1978, administrative control of the Corporate Planning function and the Facilities Planning Department was assumed by the head of the Marketing Division. This move is a recognition of the need to ensure that the Company's forward plans for new rolling and finishing facilities in particular, are in keeping with future trends in steel markets and in steel product utilization.

#### **Metric conversion**

Planning for the conversion to metric of the Company's products and operations is well underway. A small, but growing, volume of Stelco products including reinforcing bars, fasteners, plate and sheet can now be ordered to metric specifications.

## **Raw materials**

#### **Coal**

Adequate supplies of coal were obtained during the year in spite of work stoppages affecting the United States coal industry and a short strike affecting Canadian Great Lakes marine carriers. The industry-wide coal strike in the United States, which began in early December 1977, was settled with governmental intervention in late March. The terms of the settlement have added materially to the cost of coal, without providing any of the hoped-for safeguards against unauthorized work stoppages. Factors, which added to the availability of coal during the year, were the reduced demand for coal by the depressed European

and Japanese steel industry, and the lower incidence of wildcat strikes during the latter part of the year at most mines from which Stelco obtains its supply.

**Chisholm Mine:** A strike at the Norfolk and Western Railway Company forced abnormal stockpiling for several months with the added costs associated with double handling. A stable work force and absence of wildcat strikes have contributed to improved productivity. The Company has started development of the south-side coal seam which represents 25 years additional reserves. Production from this seam is expected to start in 1980.

**Madison Mine:** Satisfactory operations during the year followed settlement in March of the industry-wide strike. Work is continuing on the relocated refuse disposal area following approval by the Mine Safety and Health Administration.

**Beckley Mine:** Greater stability in the work force, following the industry-wide work stoppage earlier in the year, has contributed to a continued improvement in output.

**Olga Mine:** In addition to the general work stoppage in the first quarter, this mine, due to limited stocking facilities for clean coal, was forced to shut down during the Norfolk and Western Railway Company strike later in the year. Plant modifications were made with the aim of improving product quality and yield.

**Mathies Coal Company:** Productivity was reduced approximately 25% by adverse mining conditions and equipment failure, the latter related to a shortage of trained maintenance personnel. Efforts are being made to overcome the shortage of skilled maintenance workers through stepped-up recruitment and training programs.

The feasibility study of the Elk River Coal Project was completed early in 1978. It confirms that this is potentially an attractive source of coal for Stelco. However, uncertainties in European and Japanese markets have made necessary a postponement of the decision regarding construction and the ultimate start-up date of the project. Development work leading to the granting of various permits is continuing.

#### **Iron ore**

Strike-related problems on the Quebec North Shore and Labrador Railway Company forced the shut-down of operations at Wabush Mines, necessitating the lay-off of hourly-rated employees. Following a four-month interruption, production was back at capacity by August 1 and continued at satisfactory levels until December when a ten-day wildcat strike interfered with concentrate production at the Scully Mine without, however, affecting pellet output at Pointe Noire. Despite these problems Stelco was able to obtain sufficient iron ore for its operating needs.

**The Griffith Mine:** Operations were at capacity levels during the year with satisfactory production costs. A new three-year labour contract, effective September 1, 1978, was signed during the year.

**Erie Mining Company:** Following the iron ore strike in the United States in 1977, start-up at the Erie Mine was delayed until February 1978 due to reduced requirements of the owners. Operations continued at below capacity levels throughout the balance of the year.

**Hibbing Taconite Project:** Production was at capacity throughout the year with satisfactory pellet quality and costs.

**Eveleth Expansion Project:** Numerous start-up problems continued to be experienced. Severe dislocation in the crude ore unloading facility necessitated the installation of temporary transfer equipment from the crude ore delivery point to the fine crushers, and resulted in reduced production for several months. Repairs were completed and the facility was back in operation early in 1979.

**Tilden Mine:** Start-up after the 1977 strike was difficult and was further hampered by severe winter conditions. Generally, the operations were satisfactory for the last eight months of the year. Expansion of facilities to increase capacity from 4 million to 8 million tons will be completed in mid-1979.

#### **Limestone**

Chemical Lime Works again supplied all of the Company's requirements of limestone and lime. Operations were virtually at capacity, any excess lime being sold.



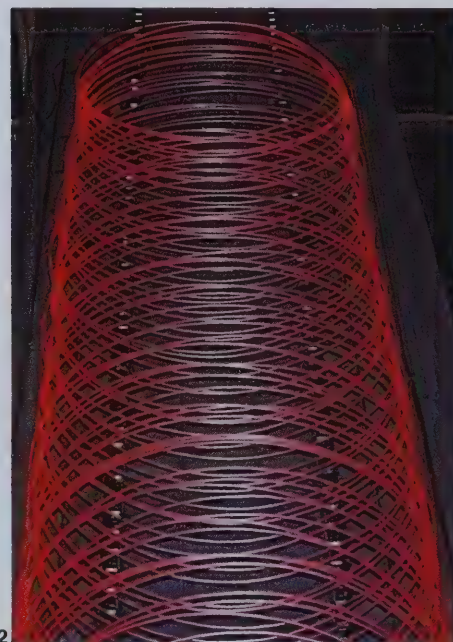
The consumer market: Canadians are buying more steel products of all types. Consumption of steel per capita in Canada continues to rise. Contributing to this trend, Stelco has ongoing programs to develop and promote new products and applications. The introduction of such products as

StelTex textured sheet steel is resulting in enhanced appearance and improved performance for many products including range hoods (1), freezer lids and fireplaces. Consumer acceptance has been excellent. Wire drawn from steel rod made by the Stelco-developed Stelmor process (2) is

widely used in steel-belted radial tires. Attractive privacy fence (3) is just one of the new consumer products now being made from Stelcolour prefinished steel.



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## Operations

### Steelmaking

Hilton Works primary operations benefited from improvements in blast furnace performance which contributed significantly to the level of steel production attained during the year. Early in the second quarter, increased demand made it possible to reactivate the Company's smallest operating blast furnace which had been shut down since the second quarter of 1977. Capacity operating levels continued until the fourth quarter when the Company's largest blast furnace was taken out of production for a scheduled reline.

Electric steelmaking operations at McMaster Works were at capacity during the year with the exception of the period when members of the local steelworkers' union rejected terms of the labour contract accepted elsewhere in the Company. As a result, the electric furnace and rolling mill were shut down for nearly two months.

At Edmonton Steel Works, operations were at a satisfactory rate throughout the year. The Company has started construction of an auto hulk shredder in order to provide an additional source of scrap for its Edmonton steelmaking operation.

### Rolling mills

The bloom and billet mills had a successful year with No. 3 bloom and billet mill establishing a new annual production record.

The rod and bar mills of the Company operated efficiently and at near-capacity throughout the year. Both the No. 1 bar mill and the No. 2 rod mill had an outstanding year, setting annual production records.

At Edmonton, the 5" grinder ball equipment started up successfully with its output in demand by the mining industry in both Canada and the United States.

The Company's flat-rolled mills continued to experience heavy demand, particularly from the automotive sector. This enabled the four-stand cold mill and the hot strip mill to set new annual production records. One notable exception was the plate mill which continued to suffer from a lack of demand as a

result of the low level of both heavy construction and pipeline activities.

The Company's extensive electrical, mechanical, transportation, utility and other service facilities provided necessary maintenance and support for the production units which generally operate on an around-the-clock basis. These service departments contributed significantly to the success of the year by enabling the various mills to operate continuously for extended periods of time with minimum delays.

During the year, in addition to the major expansion at Lake Erie, your Directors approved appropriations to increase the capacity of the 56" hot strip mill and the three galvanizing lines at Hilton Works. The revamp of the hot strip mill will incorporate the patented Stelco coil box. (See Technology, page 16.) These additional investments are tangible evidence of the Company's policy to modernize and maintain existing facilities to meet current trends in the market place.

### Fabricating works

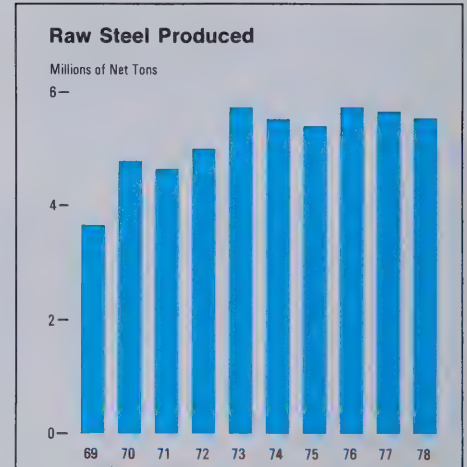
Almost all the works operated at satisfactory levels during the year. Demand from the automotive sector continued strong and the plants supplying this market were particularly busy.

At Gananoque Works press forging continued at a high level and a second press installation is under construction. Swansea Works experienced another year of profitable operations including the successful start-up of a new design, high-speed, quieter 1/2" nut former.

Parkdale and Canada Works generally operated at desirable levels throughout the year. However, fasteners at the light end of the size range suffered from severe price competition.

The fastener shipping centre at Burlington Works provided another year of excellent service to the auto industry and distributors. The rod processing plant at Burlington resumed operation in March, five months after last year's extensive fire. The start-up went smoothly and the plant operated well beyond its original design capacity for the balance of the year.

During 1978, the name of Saskatchewan Steel Fabricators Ltd. was changed



to Stelco Fabricators Ltd. in order to establish a closer corporate identification with the parent company. The level of operations improved over last year mainly as a result of new business originating in Saskatchewan.

Edmonton Finishing Works achieved a new high in annual production for 1978.

Page-Hersey Works operated at satisfactory levels during the year. This plant is very versatile, utilizing a variety of processes (continuous welding, electric resistance welding and seamless) to fabricate tubular products which range in size from 1/8 inch to 16 inches in diameter.

Output levels at the large diameter pipe mills were depressed in 1978 due to a lack of domestic demand. The modest improvement in operating levels over 1977 was due almost entirely to a higher level of export sales. During the year, the Company completed a \$24 million capital spending program at the Stelform spiral-weld mill in Welland. This further enhances the Company's position as the best equipped producer of high pressure, large diameter steel pipe in North America.

At Camrose Works modifications to the press and extensive upgrading of other mill production facilities are underway to provide for volume production of heavier wall pipe up to 42 inches in diameter.

These large capital projects are part of Stelco's commitment to the development of Canada's energy resources.



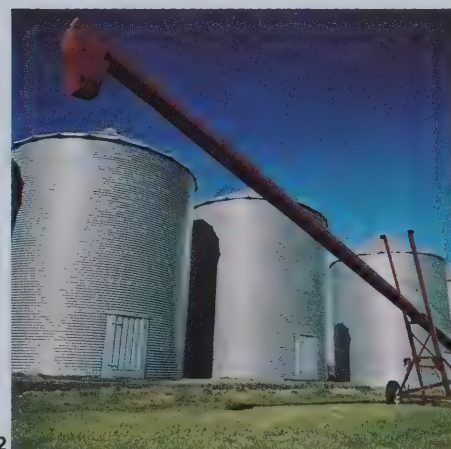
**Agriculture:** This vital industry is already a major user of many Stelco products; it is expected to develop even greater potential in the next few years. Roofing and cladding made from durable Stelcolour prefinished steel (1), for example, is being specified more and more by progressive farmers.

This increasing demand has led to the decision to build a fourth line at Baycoat Limited, an associated company, manufacturer of Stelcolour prefinished steel for a wide variety of applications. The use of grain bins (2) is expanding significantly across much of Canada. They are made

from zinc-coated steel (3) shown being produced on one of Stelco's three galvanizing lines. Stelco assisted in the design of the new Federal Government fleet of grain cars (4). A special high-strength low-alloy steel grade, Stelcoloy 70, reduces the weight of the cars without penalizing performance.



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### SL/RN Direct Reduction Kiln

Prevailing prices for scrap during 1978 made it uneconomic to operate the SL/RN direct reduction kiln located at Griffith Mine. At the current rate of North American steel activity, scrap prices are expected to rise further in 1979. The Company is constantly monitoring the price of scrap to ascertain when it will be suitable to operate this facility to provide an alternate raw material for the electric furnace steelmaking operations at Edmonton and Contrecoeur.

## Energy conservation

Again in 1978 the Company consumed less energy per ton of steel produced. This resulted from a company-wide implementation of conservation measures, co-ordinated by Stelco's Corporate Energy Task Group.

In addition to numerous studies of an on-going nature, the Task Group has emphasized communication with operating supervision and all employees to encourage their efforts toward conservation of energy both at work and in the home. This has taken the form of:

- Statistical reports on energy consumption for individual departments and shops.
- Energy workshops and seminars.
- Articles appearing in Stelco publications.

The Company ensures that it keeps in the forefront of developments in energy conservation by regular discussions with other steel producers, major industrial energy consumers, gas, oil and electric power producers, as well as institutional, university and consulting groups. In addition, Government energy policies and objectives are constantly monitored through active participation in energy seminars and by communicating with appropriate levels of Federal and Provincial Ministries.

## Associated companies

### Baycoat Limited

Throughout 1978, Baycoat, which is 50% owned by Stelco, operated at capacity, including the third coating line which started up in 1977. Large tonnages of weldable, corrosion-resistant product were coated and supplied to the auto-

### Employment Costs

Dollars in thousands

		1978	1977
<b>Wages and Salaries</b>	For time worked	<b>\$428,335</b>	\$379,693
	For vacations and statutory holidays	<b>36,216</b>	31,708
		<b>\$464,551</b>	\$411,401
<b>Supplementary Employment Costs</b>	Pensions	<b>\$ 46,176</b>	\$ 43,904
	Group insurance plans and other benefits	<b>30,431</b>	25,669
	Unemployment insurance and workmen's compensation	<b>17,872</b>	14,063
		<b>\$ 94,479</b>	\$ 83,636
<b>Total Employment Costs</b>		<b>\$559,030</b>	\$495,037
<b>Average Number of Employees</b>		<b>23,712</b>	22,942
<b>Employee Benefits</b>	Number of pensioners at year end	<b>4,438</b>	4,277
	Pensions paid during the year	<b>\$ 18,167</b>	\$ 16,402
	Life insurance in force at year end	<b>\$634,267</b>	\$506,114
	Death benefits paid during the year	<b>\$ 2,417</b>	\$ 2,084

mobile manufacturers. Late in the year, a decision was taken to install a fourth coating line capable of handling 40,000 pound coils, at strip widths to 66", to be operative by the end of 1979.

### Torcad Limited

Stelco has a 50% interest in this company which plates fastener products. It has already established a reputation as a quality producer for the automotive market. Expansion plans are currently underway to add zinc-coating capacity to service this growing market.

### The Canada Systems Group (EST) Limited

Canada Systems Group, a data processing service organization in which Stelco holds a one-third equity interest, had another successful year of continued growth in both sales and profits. Production capacity was increased, new services were added and revenue from new and existing customers, other than the owners, increased by over 35% from the previous year.

In 1978 Canada Systems Group made a significant entry into the Province of Quebec and an initial entry into the United States by the acquisition of two subsidiary companies.

### Fers et Métaux Recyclés Ltée.

This is a ferrous and non-ferrous metal scrap recycling operation in LaPrairie, Quebec in which Stelco has a 50% interest. The continuing demand for ferrous scrap and the improvement in zinc and

aluminum markets supported near-capacity operations throughout the year.

The non-ferrous metal scrap reclamation plant, which embodies a new type of process, commenced production in September, 1977 and has successfully completed its first full year of operation.

## Employee relations

### Collective bargaining

New collective agreements were negotiated with the United Steelworkers of America for hourly-rated employees at Hilton Works and the majority of the Company's Finishing Works. Employees at the Steelmaking Plant and Bar Mill at McMaster Works in Contrecoeur, Quebec initially did not ratify the agreement and, as a consequence, operations were halted early in August until late September, at which time agreement was reached and operations resumed.

The terms of the settlements provided for continuation of the existing cost-of-living formula as well as adjustments to the wage scales and increases in the pension calculation formulae. These agreements were negotiated for a three-year period expiring July 31, 1981.

Early in November, three-year agreements were also negotiated with the United Electrical Workers who represent hourly-rated employees at the Company's Page-Hersey Works and Welland Tube Works in Welland. The terms and



**Construction I:** Steel systems buildings are the fastest growing segment of the construction industry. The computer-designed steel structures offer purchasers the benefits of better quality control and reduced on-site construction costs. Once limited to relatively simple structures, systems build-

ings now offer exceptional versatility. For example, the recently completed Wardair hangar (1) at Edmonton International Airport is believed to be the largest clear span rigid frame structure in North America. The building is essentially a standard steel systems building with certain components

strengthened and adapted to meet the demands of the large span. Ottawa Athletic Club (2) is a good example of the aesthetic possibility of steel systems utilizing Stel-colour prefinished steel made at Baycoat Limited (3).





conditions provided for in these agreements were consistent with those negotiated at other locations.

The increasing burden of continually escalating employment costs is of considerable concern and requires further productive effort in all areas of the Company's activities to offset the competitive disadvantages imposed by such increases.

### Health and safety

All plants worked hard in 1978 to maintain the improvement in accident frequency and severity rates achieved in 1977. A major factor that undoubtedly contributed to this accomplishment has been the joint Union-Company Health and Safety workshops which are continuing.

There has been increasing government involvement in the field of occupational health and safety. The various provincial jurisdictions have embarked on programs involving increased surveillance of work environment, identification of industrial hazards in the workplace and environmental monitoring. It is a source of satisfaction that the ethical and professional imperatives upon which new statutory requirements are being formulated are ones that have been accepted and pursued by Stelco for many years. In addition, the Federal Government has entered the field of occupational health and safety through the passage of Bill C35 and the consequent emergence of the Canadian Institute of Occupational Health and Safety.

Stelco was one of a number of Canadian corporations that participated in the Canadian Public Health Association's Fitness and Lifestyle Program. The program drew a good response from employees when it was implemented at the Hamilton General Office.

### Human resources

Employee training and information programs were expanded during the year as a means of providing maximum opportunity for personal development and to impart the skills necessary to function in an increasingly competitive market environment. In the area of supervisory training, particular stress was laid on labour relations.

An increase in the number of graduates hired, particularly those in the engineering and technical disciplines, reflects the growing needs of the Lake Erie Development. Training of supervisory personnel has been taking place for some time and the recruitment and training of hourly-rated employees to staff the first phase of the development, scheduled to come on stream in the first half of 1980, is now well underway.

### Francization

In Quebec, training programs designed to ensure that Stelco meets the requirements for the use of the French language continued throughout the year. The corporate Francization Committee completed a comprehensive language analysis study which will be submitted to L'Office de la Langue Française, the provincial government agency responsible for administering the new language legislation. The Translation Department has nearly completed translation of the forms, specifications and general communications data required for compliance with provincial language requirements.

### Public affairs

The continuing corporate public affairs program resulted in a satisfactory level of media and community visibility and a positive projection of Stelco's viewpoint on industry, local and national issues.

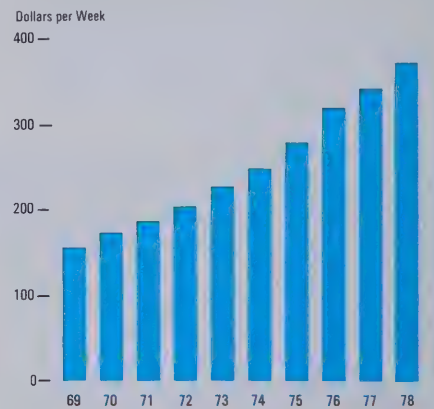
## Technology

Stelco maintains its position among the leaders in the highly competitive international steel trade through a readiness to adopt the latest in technological developments. Many of these developments originate with research personnel and other technical staff located throughout the Company.

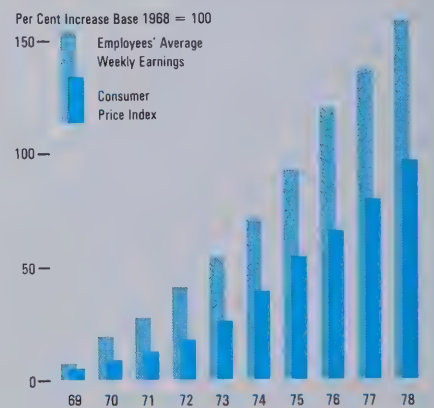
The following are some of the highlights of the past year's technological developments:

- Special procedures were established to produce cold rolled strip with an exceptionally clean surface. Surface cleanliness is critical to the performance of steels for painting, such as prefinished steel and automotive sheet steel.
- A new process was introduced for desulfurizing steel to very low levels. This is one of the requirements for pro-

### Employees' Average Weekly Earnings



### Employees' Earnings/Consumer Price Index



ducing high-strength high-toughness steel for natural gas and oil pipelines.

□ A sophisticated optical and electronic measurement system to maximize bloom-to-billet yield during rolling was perfected. The system, already in use in one mill, ensures that all possible useable steel is retained during the rolling operation and that cropping losses are held to an absolute minimum. Similar or slightly modified systems are being tested in other Company mills.

□ New, lightweight, high-strength steels destined primarily for the automotive industry are under intensive study. These new steels will supplement the Stelmax series of high-strength low-alloy steels widely used by the auto makers in connection with their vehicle weight reduction programs.



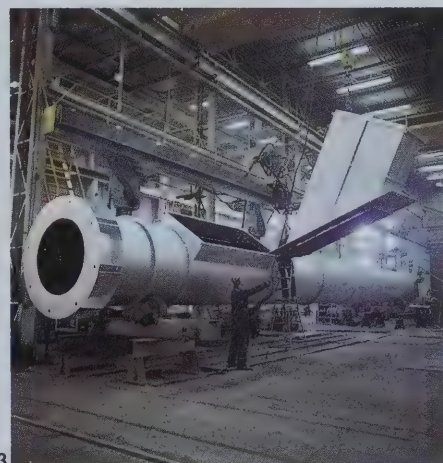
**Construction II:** Although the construction industry has been extremely sluggish for the past few years, there is evidence that better days are ahead. Steel is certain to play a major role in both structural and aesthetic forms. Stelco is actively engaged

in promoting steel architectural design. In 1978 the Stelco Design Award program was initiated and the winner was the Citadel Theatre, Edmonton (1). Hollow Structural Sections are a major feature of this attractive building which has received wide

publicity across the country. A spectacular use of cladding made from Stelcolour pre-finished steel is the Etobicoke Olympium (2). One of the foremost structural fabricators in the West is Stelco Fabricators Limited, a Stelco subsidiary (3).



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□ Modifications to blast furnace operating practices, which should substantially improve productivity and energy utilization, continue to be investigated. Better charging procedures, higher quality coke, and injected tar or oil-based coal slurries are three of the modifications being tested.

□ Improvements to bar cooling procedures have resulted in almost complete elimination of a costly straightening operation. Commercially straight bars are required by customers who operate close tolerance shaping and finishing machines.

While new technology such as the above is developed within Stelco for its own purposes, the Company endeavors to generate additional revenue by making the technology available to other steel companies under licensing agreements.

This corporate activity is exemplified by the successful start-up of the John Lysaght (Australia) Ltd. hot strip mill in Australia, incorporating the patented Stelco coilbox. As a result of this initial sale, inquiries have been received from numerous other steel companies and some eleven steel producers have now signed secrecy agreements permitting them to study the technology.

## Environmental control

Special attention has been given to protecting the environment at the Lake Erie Development and many of the facilities being installed there contain built-in environmental protective devices. Improvements at existing plants continue as well. The facilities to re-circulate gas cleaning water for the remaining three blast furnaces at Hilton Works were started up, in addition to a system to control fumes while desulfurizing steel. In Montreal, facilities were installed to reduce effluents entering the Lachine Canal from two plants.

In relation to occupational health, a program of monitoring workplace conditions was expanded along with the program for screening chemicals used.

Additional building ventilation and an improved system of slag handling were installed to reduce dust levels at the Edmonton Steel Shop. At Hilton Works,

a program of providing work stations with pressurized filtered air was expanded, and in addition, more air extraction and air cleaning was provided for dusty areas.

It should be emphasized that the cost of installing and operating environmental protection facilities must ultimately be borne by the consuming public in the form of higher prices for goods and services. This could, in turn, affect the international competitiveness of an industry and its ability to sustain or expand employment. Over the years technological developments and large capital expenditures have eliminated a very high percentage of the pollutants generated in the production of steel. In order to reduce further the small amount of pollutants remaining, new technology may well be required and very extensive capital expenditures will be needed. Hence, it is important that government authorities and the public give due recognition to the cost-benefit aspect of environmental control programs to deal with the last traces of emissions.

## Lake Erie Development

Construction of the Lake Erie Development progressed well during the year. Production of steel slabs from the new plant is scheduled to take place in the first half of 1980. The construction program has entailed the employment of about 1100 construction workers on average throughout the year. Facilities that have been virtually completed now include the dock, the raw material handling system including a rail mounted stacker, the mobile equipment repair centre, and the central maintenance shops.

### Project Status at Year-End

□ **Ironmaking:** During the year, the cast house with its crane was completed. The large diameter duct-work leading from the top of the furnace to the gas cleaning system and the stoves was completed and painted. In the central power station the commissioning of the two main boilers, the installation of the two turboblenders and the water treatment plant for the boilers was virtually finished.

□ **Steelmaking:** The major buildings were enclosed and the mechanical systems for the two steelmaking vessels, with their associated gas collection systems, were completed. The installation of mechanical and electrical equipment for the slab caster continues.

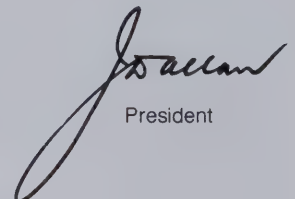
The vessels for the storage of oxygen and nitrogen were completed during the year along with the conveyor systems leading from the track hopper building to the upper floors of the steelmaking shop.

□ **Services:** The main power supply system for the plant was completed. First stage facilities including roads, railway marshalling yard, lighting and grading were virtually finished. The underground services, water, telephone, sanitary sewers, etc. were completed.

The blowdown treatment plant was well advanced with the building erected and the main filters and process equipment installed. This facility will treat all process water used in the plant prior to the water being returned to the lake.

□ **Industrial Park:** The initial phase of the Lake Erie Industrial Park is now serviced and several companies have purchased property within the park. Included is a plant for the production of oxygen and nitrogen for use in the steelmaking process. By year-end, construction of this plant had progressed to the stage where foundation work was nearly completed.

Several enquiries for property from major concerns have been received during the year and further growth is anticipated coincident with the start of operations at the new Lake Erie steel plant.



President

Toronto, Canada  
February 19, 1979



Lake Erie Development: Symbolizing Stelco's confidence in the future is the enormous Lake Erie Development, scheduled for the production of steel in the first half of 1980. Silhouetted against the early morning sky is the huge stacking unit (1) which receives iron ore pellets and coal

by conveyor from the dock, then positions the material as required. The blast furnace plant (2) as viewed from the central power station; in the foreground are the two large mains; one conducts blast furnace gas to the power station where it is burned to generate steam for the turbines which blow

air along the second main back into the bottom of the furnace. The best available technology in the field of environmental control has been built into LED (3).



## Consolidated Statement of Income and Retained Earnings

Years ended December 31

(Thousands of Dollars)

	1978	1977
<b>Revenue</b>		
Sales	\$1,775,663	\$1,444,057
Equity in net income of corporate joint ventures and partnerships	4,210	5,155
Income from short-term investments	15,259	13,404
	<u>1,795,132</u>	<u>1,462,616</u>
<b>Expense</b>		
Cost of sales, exclusive of the following items	1,439,633	1,184,631
Administrative and selling	88,531	81,817
Research and development	6,375	5,835
Depreciation	56,723	55,126
Interest on long-term debt	52,490	51,415
Other interest	188	332
Income taxes (Note 2) — current	15,313	(3,058)
— deferred	15,663	(3,687)
	<u>1,674,916</u>	<u>1,372,411</u>
<b>Net Income for the Year</b>	<b>120,216</b>	<b>90,205</b>
(per convertible share: 1978 — \$4.40, 1977 — \$3.36) (Note 1)		
<b>Retained Earnings at beginning of year</b>	<b>747,747</b>	<b>708,383</b>
	<u>867,963</u>	<u>798,588</u>
<b>Dividends</b> (Notes 10 and 12)	<b>54,762</b>	<b>50,205</b>
<b>Expenses relating to issue of preferred shares</b>	<b>—</b>	<b>636</b>
<b>Retained Earnings at end of year</b>	<b>\$ 813,201</b>	<b>\$ 747,747</b>



**Consolidated Statement of Financial Position**At December 31  
(Thousands of Dollars)

	1978	1977
<b>Current Assets</b>		
Cash	\$ 32,285	\$ 26,437
Short-term investments, at cost (approximates market value)	153,126	171,620
Accounts receivable	239,059	193,286
Inventories (Note 3)	469,159	448,684
Prepaid expenses	4,536	4,444
	<u>898,165</u>	<u>844,471</u>
<b>Current Liabilities</b>		
Accounts payable and accrued	240,823	198,320
Income and other taxes	41,399	23,094
Dividends payable	16,733	15,350
Long-term debt due within one year	2,306	2,081
	<u>301,261</u>	<u>238,845</u>
<b>Working Capital</b>	<u>596,904</u>	<u>605,626</u>
<b>Other Assets</b>		
Long-term intercorporate investments (Note 4)	63,327	56,855
Fixed assets, less accumulated depreciation (Note 5)	1,265,656	1,186,085
Unamortized long-term debt issue expense	6,051	6,436
	<u>1,335,034</u>	<u>1,249,376</u>
<b>Total Investment</b>	<u>1,931,938</u>	<u>1,855,002</u>
<b>Other Liabilities</b>		
Long-term debt (Note 6)	496,900	501,274
Deferred income taxes	281,308	265,645
	<u>778,208</u>	<u>766,919</u>
<b>Shareholders' Equity</b>	<u>\$1,153,730</u>	<u>\$1,088,083</u>
Derived from:		
<b>Capital Stock</b> (Notes 9 and 12)		
8,000,000 Preferred Shares Series A	\$ 200,000	\$ 200,000
24,713,099 Convertible Shares (1977 — 24,702,805)	140,529	140,336
<b>Retained Earnings</b>	813,201	747,747
	<u>\$1,153,730</u>	<u>\$1,088,083</u>

On behalf of the Board:



Director



Director

# Consolidated Statement of Changes in Financial Position

Years ended December 31

(Thousands of Dollars)

	1978	1977
<b>Source of Working Capital</b>		
Current operations		
Net income	\$ 120,216	\$ 90,205
Depreciation	56,723	55,126
Deferred income taxes	15,663	(3,687)
Remitted (unremitted) equity income	1,214	(1,646)
	<u>193,816</u>	<u>139,998</u>
Net proceeds from issue of preferred shares	—	199,146
Issue of convertible shares (Note 9)	193	5
Other (net)	1,706	2,603
	<u>195,715</u>	<u>341,752</u>
<b>Disposition of Working Capital</b>		
Expenditures for fixed assets	137,615	141,389
Long-term intercorporate investments (net)	7,686	3,219
Reduction of long-term debt	4,374	3,083
Dividends (Notes 10 and 12)	54,762	50,205
	<u>204,437</u>	<u>197,896</u>
<b>Increase (Decrease) in Working Capital</b>	<u>(8,722)</u>	<u>143,856</u>
Working Capital at beginning of year	605,626	461,770
<b>Working Capital at end of year</b>	<u><u>\$ 596,904</u></u>	<u><u>\$ 605,626</u></u>

## Changes in Working Capital

<b>Current Assets</b>		
Cash	\$ 5,848	\$ 11,473
Short-term investments	(18,494)	82,234
Accounts receivable	45,773	29,294
Inventories	20,475	40,539
Prepaid expenses	92	939
	<u>53,694</u>	<u>164,479</u>
<b>Current Liabilities</b>		
Accounts payable and accrued	42,503	18,895
Income and other taxes	18,305	(1,382)
Dividends payable	1,383	3,109
Long-term debt due within one year	225	1
	<u>62,416</u>	<u>20,623</u>
<b>Working Capital Increase (Decrease)</b>	<u><u>\$ (8,722)</u></u>	<u><u>\$ 143,856</u></u>



## Notes to Consolidated Financial Statements

December 31, 1978

## 1. Summary of Significant Accounting Policies

**Principles of Consolidation** The consolidated financial statements include the accounts of The Steel Company of Canada, Limited and its subsidiaries, all of which are wholly owned. Also included are the Company's pro-rata portions of the assets, liabilities and expenses of its unincorporated joint ventures. (See Note 4, also see page 28 for listing of Subsidiary Companies and Unincorporated Joint Ventures.)

Corporate joint ventures and partnerships, in all of which the Company has an interest of 50% or less, are accounted for by the equity method. (See Note 4, also see page 28 for listing of Corporate Joint Ventures and Partnerships.)

**Foreign Currencies** Current assets and liabilities originating in foreign currencies are translated at year-end exchange rates. All other assets and liabilities originating in foreign currencies are translated at rates prevailing when the assets were acquired or the liabilities incurred. Income and expense items other than depreciation are translated at average rates prevailing during the year. The gains or losses resulting from these translations are reflected in the statement of income.

**Inventories** Inventories are valued at the lowest of cost, replacement cost and net realizable value.

**Fixed Assets** Fixed assets are recorded at historical cost. Depreciation is provided using the straight-line method applied to the cost of the assets at rates based on their estimated useful life and beginning from the point when production commences. Construction in progress, including depreciable assets of the Lake Erie Development, amounted to \$604.2 million (\$483.6 million at December 31, 1977) and to date no depreciation has been recorded on these items.

**Research and Development** Expenditures for research and development are expensed as incurred.

**Interest** The interest cost of financing both working capital and capital expenditures, including the Lake Erie Development, is being expensed as incurred.

**Income Taxes** Income taxes are provided on the tax allocation basis, and the resultant deferred income taxes are due principally to claiming depreciation for tax purposes in excess of straight-line depreciation. Investment tax credits are recorded in the year of the related capital expenditures by a reduction of income taxes expense.

**Net Income Per Convertible Share** Net income per convertible share has been computed on the basis of net income for the year, less dividends on the Preferred Shares Series A, divided by the weighted average of total Class A and Class B Convertible Shares outstanding during the year.

## 2. Income Taxes

Income taxes expense has been reduced by investment tax credits of \$8.3 million (\$8.3 million in 1977).

Revenue Canada has issued reassessments related to non-resident sales subsidiaries which would increase the Company's income taxes for the years 1972 through 1975 and the basis for the reassessments could have application to subsequent years. Notices of Objection have been filed and representations on the matter are continuing. The Company and its legal advisers are of the opinion that, although at this time the ultimate disposition is indeterminate, Revenue Canada's position as set out in the Notices of Reassessment is not justified. The reassessments have not been provided for in the 1978 financial statements. The Company is of the opinion that any resulting taxes will not have a material effect on its financial position.

## 3. Inventories

	1978 (in thousands)	1977 (in thousands)
Raw materials and supplies . . . . .	\$ 248,208	\$ 181,083
Finished and semi-finished products . . . . .	220,951	267,601
	<u>\$ 469,159</u>	<u>\$ 448,684</u>

**Notes to Consolidated Financial Statements (continued)**

December 31, 1978

**4. Long-term Intercorporate Investments and Related Commitments****(a) Investments**

	1978 (in thousands)	1977 (in thousands)
Corporate joint ventures and partnerships, at equity . . . . .	\$ 53,497	\$ 47,064
Portfolio investments, at cost . . . . .	9,830	9,791
(quoted market value: 1978 \$9.1 million, 1977 \$7.6 million)		
	<u>\$ 63,327</u>	<u>\$ 56,855</u>

**(b) Joint Ventures and Partnerships**

Substantially, the joint ventures and partnerships are an integral part of steel operations and exist to provide raw materials, certain finishing operations and some administrative services. Accordingly, to avoid duplication in the disclosure of sales, such transactions between the Company and the joint ventures and partnerships are accounted for in the Consolidated Statement of Income by:

- (i) Including the cost of materials, operations and services provided by the joint ventures and partnerships in "Cost of sales" or "Administrative" expense as appropriate.
- (ii) Disclosing the company's share of the annual net income of corporate joint ventures and partnerships as a separate item of "Revenue".

The following is a summary of the Company's proportionate share of the financial position of the joint ventures and partnerships:

	Unincorporated Joint Ventures	Corporate Joint Ventures and Partnerships	1978 (in thousands)  Total	1977 (in thousands)  Total
Assets . . . . .	\$ 77,282	\$ 204,009	\$ 281,291	\$ 265,028
Liabilities . . . . .	7,111	150,512	157,623	145,857
Equity . . . . .	<u>\$ 70,171</u>	<u>\$ 53,497</u>	<u>\$ 123,668</u>	<u>\$ 119,171</u>

**(c) Commitments**

The Company, as a participant in certain of the corporate joint ventures and partnerships, is entitled to receive its proportionate share of coal and iron ore produced and is committed to pay its share of their costs, including minimum charges for principal and interest to cover the servicing of their long-term debt. The Company's share of such minimum charges averages \$13 million annually to 1996.

**5. Fixed Assets**

	1978 (in thousands)	1977 (in thousands)
Raw material plants and properties, at cost . . . . .	\$ 253,625	\$ 248,324
Manufacturing plants and properties, at cost . . . . .	1,865,150	1,736,864
	<u>2,118,775</u>	1,985,188
Less accumulated depreciation . . . . .	853,119	799,103
	<u>\$1,265,656</u>	<u>\$1,186,085</u>



## 6. Long-term Debt

	1978 (in thousands)	1977 (in thousands)
5⅞% sinking fund debentures due May 1, 1990 . . . . .	\$ 37,621	\$ 38,994
9¼% sinking fund debentures due November 1, 1990 . . . . .	53,985	55,646
10⅞% sinking fund debentures due September 15, 1994 . . . . .	65,000	65,000
9¾% sinking fund debentures due April 1, 1995 . . . . .	100,000	100,000
10¼% sinking fund debentures due April 30, 1996 . . . . .	100,000	100,000
10% notes due October 15, 1987 (US \$16 million) . . . . .	16,428	17,543
10¾% sinking fund notes due November 20, 1995 (US \$125 million) . . . . .	126,172	126,172
	<b>499,206</b>	<b>503,355</b>
Less amount due within one year, net of prepayments . . . . .	<b>2,306</b>	<b>2,081</b>
	<b>\$ 496,900</b>	<b>\$ 501,274</b>

After allowing for prepayments, annual sinking fund and other repayments over the next five years amount to \$2.3 million in 1979, \$6.2 million in 1980, \$19.0 million in 1981, \$23.1 million in 1982 and \$23.1 million in 1983.

## 7. Capital Programs

The estimated cost to complete approved capital programs, including the first stage of the Lake Erie Development, is \$425 million, which will be spent over a period of approximately four years. This includes an estimated amount of \$80 million to cover inflation in construction costs and other contingencies.

## 8. Retirement Plans

Pension costs charged against income in the year under the Company's pension plans include payments made to trust funds for current and past service requirements as determined by an independent actuary. Unfunded past service costs in respect of pensions ultimately payable to the present employees are estimated to be \$195 million at December 31, 1978. This amount is being funded over periods not exceeding fifteen years.

## 9. Stock Options

In accordance with a Stock Option Policy adopted in 1965, 114,800 convertible shares are reserved for stock options. As a result of the exercise of options during the year, 10,294 Class A shares were issued to officers for cash aggregating \$193,013. At December 31, 1978, no options were outstanding.

## 10. Anti-Inflation Act

The Company's Canadian operations were subject to the provisions of the Anti-Inflation Act and the Company understands that it was in compliance with this legislation. The controls on prices, profits, compensation and dividends expired on various dates throughout 1978.

## 11. Remuneration of Directors and Officers (Section 122.2 of the Canada Corporations Act)

The aggregate remuneration for 1978 of the Company's fifteen directors as directors was \$89,700. The aggregate remuneration of the Company's thirty-two officers and past officers as such was \$2,392,513. Two officers and one past officer are directors of the Company.

**Notes to Consolidated Financial Statements (continued)**

December 31, 1978

**12. Capital Stock and Dividends****(a) Preferred Shares — \$25 par value**

Authorized — 16,000,000 Preferred Shares

	1978	1977
Issued — Preferred Shares Series A . . . . .	<b>8,000,000 shares</b>	8,000,000 shares

These shares are entitled to a cumulative floating rate dividend, calculated on a quarterly basis. The rate equals the sum of 1¼% and one-half the average Canadian bank prime rate.

The shares are redeemable at the Company's option on or after May 1, 1980 at a premium of \$0.75 per share, reducing by \$0.1875 annually thereafter.

The shares are retractable at par, at the holder's option, on May 1 in each of the years 1987, 1992 and 1997.

**(b) Convertible Shares — no par value**

Authorized — 35,000,000 Class A Convertible Shares

— 35,000,000 Class B Convertible Shares

	1978	1977
Issued — Class A . . . . .	<b>23,287,296 shares</b>	23,133,489 shares
— Class B . . . . .	<b>1,425,803 shares</b>	1,569,316 shares
	<b><u>24,713,099 shares</u></b>	<b><u>24,702,805 shares</u></b>

The Convertible Shares of each class are voting, convertible into one another on a share-for-share basis and rank equally in all respects; the maximum total number of shares outstanding at any time is limited to 35,000,000. The only distinction between the two classes of shares was that dividends on the Class A Convertible Shares were ordinary taxable dividends for purposes of the Income Tax Act while dividends paid up to December 31, 1978 on the Class B Convertible Shares could be paid out of the Company's tax-paid undistributed surplus on hand or 1971 capital surplus on hand as defined in the Income Tax Act. After December 31, 1978 the payment of "tax deferred" dividends out of tax-paid undistributed surplus on hand or 1971 capital surplus on hand is no longer allowed under the Income Tax Act. Dividends paid on both Class A and Class B Convertible Shares after that date will be ordinary taxable dividends.

**(c) Dividends**

Dividends declared, including extra distributions on convertible shares consisted of the following:

	1978 (in thousands)	1977 (in thousands)
Preferred Shares Series A . . . . .	<b>\$11,514</b>	\$ 8,210
(per share: 1978 — \$1.43922, 1977 — \$1.02627)		
Convertible Shares		
(per share: 1978 — \$1.75, 1977 — \$1.70)		
Class A Convertible . . . . .	<b>40,623</b>	39,285
Class B Convertible . . . . .	<b>2,625</b>	2,710
	<b><u>43,248</u></b>	<b><u>41,995</u></b>
	<b><u>\$54,762</u></b>	<b><u>\$50,205</u></b>

Dividends declared in 1977 and 1978 on Class B Convertible Shares were payable out of 1971 capital surplus on hand with the exception of the dividend and extra distribution declared December 18, 1978 payable February 1, 1979, which are ordinary taxable dividends. (See section (b) above.)



**Auditors' Report**

Thorne  
Riddell  
& Co.

CHARTERED ACCOUNTANTS

To The Shareholders  
The Steel Company of Canada, Limited

We have examined the consolidated statement of financial position of The Steel Company of Canada, Limited at December 31, 1978 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Thorne Riddell & Co.*

Toronto, Canada  
January 24, 1979

# Ten Year Statistical Summary

Dollars in millions except as indicated\*

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969 <sup>(1)</sup>
<b>Operations (thousands of net tons)</b>										
Raw steel produced	5,533	5,640	5,724	5,396	5,542	5,723	5,031	4,673	4,801	3,670
Total raw steel processed (including purchases)	6,199	5,490	5,669	5,263	5,837	6,035	5,362	5,214	4,955	4,076
Steel shipments	4,466	3,995	4,028	3,706	4,078	4,204	3,797	3,689	3,517	2,906
<b>Income and Related Data</b>										
Sales	\$ 1,775.7	1,444.1	1,359.8	1,201.8	1,133.2	937.7	775.9	730.2	663.2	528.0
Administrative and selling	\$ 88.5	81.8	75.2	66.2	57.5	46.9	40.9	35.2	33.4	29.1
Depreciation	\$ 56.7	55.1	54.9	51.4	52.1	46.7	39.7	37.1	37.5	33.4
Interest on long-term debt	\$ 52.5	51.4	46.8	24.2	10.2	8.2	8.4	8.5	3.8	3.0
Income taxes	\$ 31.0	(6.7)	3.7	30.2	57.8	56.6	22.9	43.8	40.8	24.9
Net income	\$ 120.2	90.2	90.6	88.8	110.9	87.7	67.1	66.6	60.2	31.1
Per convertible share	*\$ 4.40 <sup>(2)</sup>	3.36 <sup>(2)</sup>	3.67	3.60	4.50	3.56	2.73	2.74	2.47	1.28
Return on sales	% 6.8	6.2	6.7	7.4	9.8	9.4	8.6	9.1	9.1	5.9
Return on average investment	% 6.3	5.2	6.0	6.9	10.3	9.3	7.7	8.1	7.9	4.4
Return on average shareholders' equity	% 10.7	9.3	11.0	11.4	15.5	13.5	11.2	11.9	11.5	6.1
Dividends declared — preferred	\$ 11.5	8.2	—	—	—	—	—	—	—	—
— convertible	\$ 43.2	42.0	42.0	42.0	38.2	32.0	30.8	30.4	29.2	29.2
Per convertible share	*\$ 1.75	1.70	1.70	1.70	1.55	1.30	1.25	1.25	1.20	1.20
Earnings reinvested in the business	\$ 65.5	40.0	48.6	46.8	72.7	55.7	36.3	36.2	31.0	1.9
<b>Capital Expenditures</b>	\$ 145.3	144.6	172.5	232.8	135.5	116.5	95.0	95.1	89.5	33.3
<b>Financial Position, year end</b>										
Working capital	\$ 596.9	605.6	461.8	380.1	301.1	218.5	199.5	203.7	218.0	176.5
Fixed assets — net	\$ 1,265.7	1,186.1	1,102.0	990.5	812.1	734.1	671.8	621.3	564.5	514.5
Long-term debt	\$ 496.9	501.3	504.4	361.1	165.5	103.8	105.0	107.8	110.2	54.2
Preferred shareholders' equity	\$ 200.0	200.0	—	—	—	—	—	—	—	—
Convertible shareholders' equity	\$ 953.7	888.1	848.7	800.0	752.1	679.0	622.9	579.9	543.5	507.8
Per convertible share	*\$ 38.59	35.95	34.36	32.39	30.50	27.56	25.30	23.82	22.33	20.87
<b>Employment</b>										
Average number of employees	23,712	22,942	22,691	23,192	23,251	22,580	21,582	21,351	21,497	21,792
Total employment costs	\$ 559.0	495.0	459.0	401.9	350.6	308.2	264.5	234.5	221.2	176.2
Employees' average weekly earnings	*\$ 374.98	343.67	320.90	280.85	249.15	224.63	204.46	186.35	173.46	156.38
<b>Number of Shareholders, year end</b>	38,147	36,408	36,501	37,864	39,086	39,331	40,036	45,829	49,985	51,730

<sup>(1)</sup> 1969 operations interrupted by strike — 80 days.

<sup>(2)</sup> After preferred dividends. (See Note 1 on page 21.)



## Directors

- \*J.D. Allan, Toronto  
President of the Company
- \*Alistair M. Campbell, Montreal  
Chairman of the Executive Committee,  
Sun Life Assurance Company of Canada
- A. Jean de Grandpré, Q.C., Montreal  
Chairman of the Board and  
Chief Executive Officer, Bell Canada
- \*J. Douglas Gibson, O.B.E., Toronto  
Chairman of the Board,  
The Consumers' Gas Company
- \*J. Peter Gordon, Toronto  
Chairman of the Board and  
Chief Executive Officer of the Company
- \*H.M. Griffith, Toronto  
Chairman of the Executive Committee of the  
Board of the Company
- \*A.J. MacIntosh, Q.C., Toronto  
Partner, Messrs. Blake, Cassels & Graydon,  
Barristers & Solicitors
- †Senator The Hon. Ernest C. Manning,  
P.C., C.C., Edmonton  
Chairman, Manning Consultants Limited
- Frederick C. Mannix, Calgary  
Corporate Director
- †William F. McLean, Toronto  
Chairman of the Board and  
Chief Executive Officer, Canada Packers Limited
- \*†D.R. McMaster, Q.C., Montreal  
Partner, Messrs. McMaster Meighen,  
Barristers & Solicitors
- Lucien G. Rolland, Montreal  
President and Chief Executive Officer,  
Rolland Paper Company, Limited
- Henry G. Thode, C.C., Ph.D., F.R.S.,  
Hamilton  
Professor of Chemistry, McMaster University
- †Kenneth A. White, C.D., Montreal  
Chairman, President and Chief Executive Officer,  
The Royal Trust Company
- William H. Young, Hamilton  
President, The Hamilton Group Limited

\*Member of the Executive Committee

†Member of the Audit Committee

## Executive Officers

- J.P. Gordon  
Chairman of the Board and  
Chief Executive Officer
- J.D. Allan  
President
- W.C. Chick  
Vice-President, Finance
- A.J. Harris  
Vice-President, Engineering, Research  
and Procurement
- R.E. Heneault  
Vice-President, Administration
- G.H.G. Layt  
Vice-President, Operations
- A.R. McMurrich  
Vice-President, Marketing and  
Corporate Planning
- J.W. Younger, Q.C.  
Vice-President, Secretary and General Counsel

## Vice-Presidents and Other Officers

- W.C. Ashcroft  
Assistant Treasurer
- G. Binnie  
Treasurer
- G.W.R. Bowlby  
Vice-President — Sales
- K. Coles  
Vice-President — Manufacturing
- W.A. Darby  
Assistant Comptroller — Corporate Accounting
- J.E. Hood  
Vice-President — Manufacturing
- L.M. Killaly  
Assistant Secretary
- A.G. Northcott  
Assistant Comptroller — Works Accounting
- A.R. Oliver  
Vice-President — Procurement
- H.J.M. Watson  
Comptroller — Accounting
- F.H. Weir  
Comptroller — Financial Planning

# Corporate Directory

## Head Office

Royal Trust Tower, Toronto-Dominion Centre,  
Toronto, Ontario, M5K 1J4.

## General Offices

Hamilton, Ontario  
Montreal, Quebec — Eastern Region  
Edmonton, Alberta — Western Region

## Sales Offices

Hamilton, Ontario  
Montreal, Quebec  
Calgary, Alberta  
Edmonton, Alberta  
Quebec, Quebec  
Regina, Saskatchewan  
Saint John, New Brunswick  
St. John's, Newfoundland  
Toronto, Ontario  
Vancouver, British Columbia  
Windsor, Ontario  
Winnipeg, Manitoba

## Plants

Hamilton, Ontario  
Hilton Works  
Canada Works  
Canadian Drawn Works  
Frost Works  
Parkdale Works  
Beachville, Ontario  
Chemical Lime Works  
Brantford, Ontario  
Brantford Works  
Burlington, Ontario  
Burlington Works  
Gananoque, Ontario  
Gananoque Works  
Nanticoke, Ontario  
Lake Erie Development (under construction)  
Red Lake, Ontario  
The Griffith Mine  
Toronto, Ontario  
Swansea Works  
Welland, Ontario  
Page-Hersey Works  
Welland Tube Works  
Contrecoeur, Quebec  
McMaster Works  
Lachine, Quebec  
Dominion Works  
Montreal, Quebec  
Notre Dame Works  
St. Henry Works  
Camrose, Alberta  
Camrose Works  
Edmonton, Alberta  
Stelco Edmonton, Steel Works  
Stelco Edmonton, Finishing Works  
Regina, Saskatchewan  
Stelco Fabricators Ltd.

## Research Centre

Burlington, Ontario

## Subsidiary Companies, wholly owned

Stelco Fabricators Ltd., Regina, Sask.  
Frost Steel and Wire Company, Limited,  
Hamilton, Ont.  
Frost Steel and Wire Company, Quebec, Limited,  
Montreal, Que.  
Durastal Installations Limited,  
Montreal, Que.  
Stelco Limited,  
Toronto, Ont.  
Stelco Technical Services Limited,  
Hamilton, Ont.  
Stelco Coal Company, Pittsburgh, Pa.  
Pikeville Coal Co., Louisville, Ky.  
(Chisholm Mine)  
Kanawha Coal Company, Ashford, W. Va.  
(Madison Mine)  
Ontario Eveleth Company, Minneapolis, Minn.  
Ontario Hibbing Company, Minneapolis, Minn.  
Stelco Nederland B.V., Amsterdam,  
The Netherlands  
Stelco S.A., Geneva, Switzerland  
The Steel Company of Canada (U.K.), Limited,  
London, England  
Can Hamilton Trading Limited,  
London, England  
Ubbelohde-Stelco S.A.C.I. y de R.,  
Buenos Aires, Argentina  
Stelco do Brasil Ltda., São Paulo, Brazil  
Stelco de Venezuela, S.R.L.,  
Caracas, Venezuela

## Unincorporated Joint Ventures

	% Owned
The Hilton Mines, Que. . . . .	50.0
Wabush Mines, Nfld. & Que. . . . .	25.6
Hibbing Taconite Company, Minn. . . . .	10.0
Elk River Coal Project, B.C. . . . .	25.0

## Corporate Joint Ventures and Partnerships

	% Owned
<b>Iron Ore</b>	
Tilden Iron Ore Company, Mich. . . . .	15.6
Tilden Iron Ore Partnership, Mich. . . . .	15.6
Erie Mining Company, Minn. . . . .	10.0
Eveleth Expansion Company, Minn. . . . .	23.5
Ontario Iron Company, Minn. . . . .	10.0
<b>Coal</b>	
Mathies Coal Company, Pa. . . . .	13.3
Beckley Coal Mining Company, W. Va. . . . .	12.5
Olga Coal Company, W. Va. . . . .	10.0
<b>Other</b>	
Baycoat Limited, Ont. . . . .	50.0
The Canada Systems Group (EST) Limited, Ont. . . . .	33.3
Torcad Limited, Ont. . . . .	50.0
Fers et Métaux Recyclés Ltée, Que. . . . .	50.0
Arnaud Railway Company, Que. . . . .	25.6
Wabush Lake Railway Company, Limited, Nfld. . . . .	25.6
Knoll Lake Minerals Limited, Nfld. . . . .	14.8
Northern Land Company Limited, Nfld. . . . .	12.8
Twin Falls Power Corporation, Limited, Nfld. . . . .	4.4

## Registrar

THE ROYAL TRUST COMPANY  
Toronto, Montreal, Halifax, Hamilton,  
Winnipeg, Regina, Edmonton, Vancouver

## Transfer Agent

MONTREAL TRUST COMPANY  
Toronto, Montreal, Halifax, Hamilton,  
Winnipeg, Regina, Edmonton, Vancouver

## Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held at Jackson Square Cinema, in Lloyd D. Jackson Square, 2 King Street West, in Hamilton, at 10.30 a.m., local time, on Monday, April 23, 1979.







The Steel Company  
of Canada, Limited  
Toronto, Ontario

Pour obtenir un exemplaire de la  
version française de ce rapport,  
veuillez écrire au secrétaire,  
The Steel Company of Canada, Limited,  
P.O. Box 205, Toronto-Dominion Centre,  
Toronto, Ontario, M5K 1J4.

